

MANGAUNG METROPOLITAN MUNICIPALITY

**MINUTES OF ORDINARY AUDIT COMMITTEE MEETING NO 01-2021/22-71 HELD ON
MICROSOFT TEAMS (VIRTUAL)**

Date: 13 August 2021

Time: 09h00

1. OPENING

1.1 Welcome

The Audit Committee Chairperson welcomed all attendees.

1.2 Attendance and apologies

The following members were in attendance;

Audit Committee members:

- Mr. MNG Mahlatsi (Audit Committee Chairperson)
- Me. TPM Lebenya (Audit Committee Member)
- Me. NP Mdaka (Audit Committee Member)
- Me. PME Kaota (Audit Committee Member)

Mangaung Metro Municipality:

- Mr. S More (Acting City Manager)
- Mr. S Mofokeng (Chief Financial Officer)
- Adv. J Phaladi (HOD: Human Settlements)
- Mr. T Maine (HOD: Economic and Rural Development)
- Mr. B Mthembu (HOD: Planning)
- Mr. M Ndlovu (HOD: Engineering Services)
- Mr. B Comakae (DED: Operations)
- Me. M Mototo (Chief Risk Officer)
- Mr L Rampai (Manager: Internal Audit)
- Me. T Matthews (Manager: Internal Audit)
- Mr. A Jenkinson (Acting Chief Technology Officer (CTO))
- Mr. L Bam (Acting Manager: Infrastructure)
- Mr. R Pietersen (Acting Manager: Business Application Support & Enablement)
- Me. F Moeng (Scriber)
- Me. A Schmidt (Scriber)

Auditor General:

- Mr. V Motubatsi (Manager: AGSA)
- Me. T Kao (Assistant Manager: AGSA)

National Treasury:

- Me. N Myeza (Director: Internal Audit (National Treasury))
- Me. K Thoka (Deputy Director: Internal Audit (National Treasury))

Risk Management Committee:

- Me. V Koma (Risk Management Committee Member)

Apologies received from:

- Mr. G Ntsala (GM: Internal Audit) (Chief Audit Executive- (CAE))
- Mr I Kganyane (Executive Head: Mangaung Metro Police)
- Mr. D Nkaiseng (HOD: Corporate Services)
- Mr. M Nkungwana (HOD: Social Services)

The Acting City Manager requested to be excused from the meeting around 10h00 as he has another urgent work commitment to attend to.

The Audit Committee Chairperson noted the Acting City Manager's request to be release during the meeting to attend to the urgent matters.

1.3 Declaration of interests by Audit Committee Members

None. All members present indicated that there are no interests to be declared on any of agenda items to be discussed.

1.4 Confirmation and adoption of Agenda

The Audit Committee confirmed and adopted agenda with no additions.

1.5 Briefing of the Committee by the Acting City Manager/ CAE on matters of importance to the Committee

The Audit Committee Chairperson then afforded the Acting City Manager an opportunity to brief the Audit Committee on matters of importance.

The Acting City Manager indicated that he has been appointed to act as City Manager from 1 August 2021, for a period of 3 months. The Council Speaker (Cllr. M Siyonzana) has resigned and therefore a new Speaker will be elected on Monday, 16 August 2021, as well as an Executive Mayor, who's position has been vacant for quite some time.

The Audit Committee Chairperson noted with appreciation the briefing by Acting City Manager on matters of importance and further indicated that the appointment of a Speaker and an Executive Mayor will provide stability for the Municipality at a political level.

2. MINUTES OF THE PREVIOUS MEETINGS AND RESOLUTIONS/MATTERS ARISING

2.1 Minutes of meeting 25 June 2021

The Audit Committee resolve to approve the minutes as a true reflection of the deliberations of the Audit Committee meeting held on 25 June 2021.

2.2 List of matters arising/resolutions

The Audit Committee Chairperson then afforded EMT / EMT Representatives an opportunity to present provide feedback on the implementation of matters arising/resolutions not yet resolved and those partially resolved, as follows;

- **Resolution no. 9:** – Functionality of the Internal Auditors during Covid-19.

Progress: The Audit Committee had resolved that the necessary resources (airtime, data) should be availed to Internal Audit to enhance the efficiency of the Internal Audit function during the Covid-19 pandemic. A submission was prepared in this regard and submitted to the City Manager for approval. The City Manager then referred the submission to Organisational Performance and Work Study Unit for advice and recommendation. However, this submission was not recommended for approval by Organisational Performance and Work Study Unit.

The Acting City Manager indicated that he will engage with the GM: Internal Audit next week to ensure his matter is urgently resolved.

Me Mdaka (Audit Committee Member) indicated that this matter is urgent as it does not only affect Internal Audit but all employees, councillors and external stakeholders that have to work remotely during the Covid pandemic and therefore, progress to resolve this matter will be appreciated as a matter of urgency.

The CFO indicated that he is unable to respond on this matter however, he can confirm that the monthly data and telephone account is excessively high and would therefore advise the ICT department to develop a plan that will assist the Municipality to reduce data and telephone cost, which will in return assist to provide data and airtime to all other officials.

- **Resolution no. 10:** – Risk Management (Head of Departments not responding to the risk management reports)

The Acting City Manager stated that there has been improvement on this matter and any further non-responsive on risk management reports will be monitored closely and addressed.

Me Koma (RMC Member) further indicated that from the Risk Management Committee meetings of 9 June 2021 and 12 August 2021, responsiveness from HODs on Risk Management Reports have improved significantly and an action plan has been developed to ensure further improvement in this regard.

The Audit Committee Chairperson welcomed the feedback and further encouraged management to maintain the current performance.

- **Resolution no. 13:** Progress Reports on matters arising/resolutions (*vi* - Recommendation will be made to Council for the strengthening / creation of additional capacity for the Audit Committee)

The Acting City Manager committed that this matter will be follow-up with the Speaker of Council and feedback will be provided to the Audit Committee.

- **Resolution no. 24:** Resolution no. 2020/21 Performance Assessments of the City Manager and all Section 56 Managers (HODs).

The Acting DED: Operations indicated that the Acting City Manager has been briefed on the matter and subsequently instructed that the Office of the City Manager to look at the holistic performance of the City Manager and HODs. Though quarterly performances have not been performed, this provides an opportunity to perform a comprehensive evaluation for the past financial year (2020/21) and hopefully this will then continue on a quarterly basis.

Furthermore, the Acting City Manager and HODs have signed their performance agreements for the new financial year (2021/22) and will therefore be used to conduct evaluations.

The Audit Committee Chairperson welcomed the feedback and further indicated that performance evaluations should also be filtered down to GMs and levels below.

- **Resolution no. 25:** Briefing of the Committee by the City Manager/ CAE on matters of importance to the Committee - **(a)** Progress report on the compilation of definitive agreements for the interrelation between the Municipality and Centlec, for approval by Council.

The CFO stated that a definitive agreement for the interrelation between the Municipality and Centlec has served before Council during June 2021 however, during the compilation of the Annual Financial Statements, it was noted that the agreement is not implementable. Therefore, the directorate Finance has engaged with the directorate Corporate Services and Centlec on this matter to ensure that the agreement is revised and resubmitted to Council for adoption. Further progress will be provided to the Audit Committee in the next meeting.

The Audit Committee Chairperson welcomed feedback from the CFO and further expressed with concern that this matter remains a risk to the Municipality's audit outcomes and therefore, the Municipality should urgently expedite the process to finalise the revised agreement for adoption by Council.

- **Resolution no. 25:** Briefing of the Committee by the City Manager/ CAE on matters of importance to the Committee - **(b)** Settlement report between the Municipality and Bloemwater on arrears owed to Bloemwater.

The CFO stated that the Municipality is complying with the Settlement Agreement between the Municipality and Centlec (i.e., that the municipality is paying R20 million to Bloemwater every month and when receiving equitable share R30 million) however, the current the account for July 2021 is now in arrears.

The monthly account of BloemWater is about R80million and revenue collected for water is only about R40 million. An agreement was reached with BloemWater that all the revenue received for water will be ringfenced and paid over to BloemWater for current accounts.

The Audit Committee Chairperson welcomed feedback from the CFO and further seek clarity on reasons why the Municipality is unable to bill at least R80million.

The CFO responded that the actual receipts in terms of water billing is R40million and further indicated that there is a combination of factors why the Municipality is unable to pay at least R80million, i.e., non-payment of water accounts by clients and water losses due to reticulation which results in high accounts from BloemWater.

The Audit Committee Chairperson then enquired whether the Municipality has a bulk meter that measure / monitor water supply by BloemWater to the Municipality?

The CFO responded that he would verify with the directorate Engineering Services whether a bulk water meter exist and will submit a written report to the Audit Committee in the next meeting in this regard.

The Audit Committee Chairperson then indicated if a bulk water meter does not exist, the Audit Committee would like to advise the Municipality to install a bulk water meter to measure water supplied by BloemWater, which will assist the Municipality to verify whether billing by BloemWater is accurate or not.

- **Resolution no. 25:** Briefing of the Committee by the City Manager/ CAE on matters of importance to the Committee - **(c)** Progress report on filling of critical vacancies to ensure service delivery is improved and which will subsequently also eradicate or reduce excessive overtime.

The Acting DED Operations stated that this matter has been discussed at EMT level. The process has commenced with internal adverts for directorates Finance and Metro Police. As soon as funds are availed, recruitment on other critical positions will be considered.

The Audit Committee Chairperson noted feedback from the Acting DED: Operations.

- **Resolution no. 25:** Briefing of the Committee by the City Manager/ CAE on matters of importance to the Committee - **(d)** A draft performance assessment tool for the Audit Committee.

The Manager: Specialised and Performance Audit Services indicated that performance assessment tool for Audit Committee Members have been distributed to all members and inputs are still awaited.

The Audit Committee Chairperson indicated that inputs should be submitted by members by next week Wednesday (18 August 2021).

- **Resolution no. 26:** ICT Status Report - Slow progress in resolving findings raised by Auditor General.

The Manager: Specialised and Performance Audit Services indicated that the ICT unit made a presentation to the Risk Management Committee yesterday and reflected that service providers have been appointed between March and May 2021 to assist with ICT governance related issues. However, no indication was provided as to when this matter will be resolved.

The Audit Committee Chairperson then enquired whether the vacancy of the Chief Technology Officer has been filled.

The Manager: Specialised and Performance Audit Services indicated that a submission / report on the Chief Technology Officer vacancy has been submitted by the HOD: Corporate Services for deliberation by the Audit Committee during today's meeting.

Me Mdaka (Audit Committee Member) then confirmed that she has received the submission / report which indicates that an advert for the filling of the Chief Technology Officer vacancy will be published today, 13 August 2021.

- **Resolution no. 27:** Risk Management Report - The Risk Management Policy and Strategy should be submitted to Council for approval.

The Acting DED Operations indicated that the Risk Management Policy and Strategy has served before the Study Group and Section 80 Committee and was itemised for MAYCO, unfortunately MAYCO did not sit. It is anticipated that the Risk Management Policy, Strategy and Action plan will serve before Council at its next ordinary meeting.

- **Resolution no. 30:** 2019-20 Auditor General Draft Report for Mangaung Metro Municipality – Report on conditional grants spending.

The CFO indicated that progress on this item is on the Financial Recovery Plan.

The Audit Committee Chairperson then indicated to the CFO that the Committee will appreciate a separate report Conditional Grant Spending, which can be presented under financial reports of the agenda.

- **Resolution no. 31:** 2019-20 Auditor General Draft Report for Mangaung Metro Municipality – A Plan should be developed to deal with the material adjustment on both the Annual Financial Statements and the Performance Report.

The CFO indicated that progress on this matter will be presented as part of 3.5 of the agenda.

- **Resolution no. 34:** The Committee to receive a report on the investigations of UIFW from the Intervention Team (Administrator).

The Audit Committee Chairperson deferred this matter to the next Audit Committee Meeting as the Acting City Manager / Administrator are absent. (Acting City Manager tendered his apology earlier in the meeting.)

- **Resolution no. 34:** ICT Status Report. Detailed progress report to be submitted on the implementation of actions to remedy issues raised by AGSA.

This matter will be presented as part of 3.1 of the agenda.

- **Resolution no. 34:** ICT Status Report. The Audit Committee resolved that the following information should be submitted to Committee in relation to the appointment of service providers to assist with ICT related matters;
 - Scope of work
 - Resources to be spend
 - How will the internal ICT officials be involved?

The Manager: Specialised and Performance Audit Services indicated that a report as submitted by the HOD Corporate Services on this matter, and shared with Committee, reflects information as follows;

Appointment of ICT Service Providers and allocation of work have been made by the municipality, as follows;

Part A: Integration and Management of Call Centres, Systems, Development Of Systems, Applications And Software, ICT Security, VOIP and Related Services.

Service Provider	Allocated Work and Scope	Cost Estimate
LQ Technologies	Integration of Systems and Call Centres	The report on intended costs is being worked out. However, R 15 million has been budgeted for this financial year
Anerama	ICT Security	The report on the intended cost is being worked out. However, R 4 million has been budgeted for this financial year.
Mosima Technologies	VOIP and Telephony	Cost is being worked out at this stage
Tanosa Group	Performance Management System	The cost being worked out However R2 million was budgeted in the last financial year.

Part B – ICT Governance

Service Provider	Allocated Work and Scope	Cost Estimate
Tanosa Group	ICT Environment Review ICT Policies, Business Continuity and Data Recovery Plans Review Skills Audit Business Processes Review	The cost being worked out. Approximately R 6 million likely to be spent

- **Resolution no. 34:** ICT Status Report. The tracking of the filling of the vacant position of the CTO should be reported on until such time that the position has been filled

The Manager: Specialised and Performance Audit Services indicated that the report as submitted by the HOD Corporate Services on this matter reflects information as follows;

The General Manager ICT position will be advertised by 13 August 2021. Appointment is anticipated to be effective from 01 October 2021.

Me Mdaka (Audit Committee Member) seek clarity as to whether the advert for the Chief Technology Officer vacancy has been advertised as reflected in the written report from the HOD Corporate Services.

Mr. L Bam requested time to enquire with the Human Resource department.

3. ITEMS FOR DISCUSSION

3.1 ICT Status Report

The Audit Committee Chairperson then afforded Mr. A Jenkinson (Acting CTO) an opportunity to present the ICT Status Report.

Mr A Jenkinson (Acting CTO) presented the ICT Status Report as follows;

CAF No.	Finding	Details of finding	Proposed action by AG	Progress stage	Progress comments - Regarding what has been done
21	CAF (21)(EV)-ISA- Inadequate security controls around the Information Technology (IT) environment - (ISS.21)	An IT Security policy which includes security controls to mitigate risk of unauthorised access to the municipality's network, process to identify and maintain sensitive information of the organisation and define baseline standards for managing the municipality's databases and operating systems, however, the ICT Security policy was in draft	IT Steering Committee should convene meetings as prescribed by the IT Steering Committee Terms of Reference and expedite the approval of the municipality's Information Security Policy and ensure that it implemented	The Policy is at Council for Approval	Regular follow ups have been made to the Office of the City Manager
22	CAF(22)(EV)-ISA- Inadequate implementation of password controls around Active Directory, Freshmark, Payday, Routemaster, HR Focus and SAMS - (ISS.22)	weaknesses were noted with respect to password management on applications	Management is encouraged to ensure that the password settings are defined on the ICT security policy and are aligned to the settings implemented on applications and also Windows AD. Password parameters should be included	The Policy is at Council for Approval	The Policy has been presented to the Corporate Services Section 80 and Mayoral Committee. The policy will be considered for approval by council in the month of June 2021
48	CAF (48) (EV)-ISA- Inadequate controls around the Payday system - (ISS.48)	Deficiencies were noted with regards to the administration of user access controls on the Payday system	Management should establish a consequence management plan to address the slow response to addressing the previous year audit findings. Furthermore, management should ensure that regular review and monitoring of the activities of privileged users / administrators are duly conducted and signed off.	A consequence Management Plan has been developed and will serve at Steering Committee and Emt	Consequence Management Plan to serve in the EMT and ICT Steering Committee before end June 2021

CAF No.	Finding	Details of finding	Proposed action by AG	Progress stage	Progress comments - Regarding what has been done
52	CAF(52)(EV)-ISA- Inadequate controls around the Freshmark system - (ISS.52)	Deficiencies were noted with regards to the administration of user access controls on the Freshmark system	IT Management should work collectively with system owners and expedite the approval of the user account management procedures for Freshmark to ensure consistent implementation of access controls.	System Integration in Progress	Integration of Systems at preparatory stage and in progress
72	CAF(72)(EV)-ISA: Inadequate program change controls - (ISS.72)	System generated logs of all changes implemented on applications (Payday, Solar, HR Focus, SAMS, Routemaster and Freshmark) during the period under review was not provided, therefore assurance could not be provided to determine whether all changes implemented on the system followed a proper change management process	Ensure that system generated logs to track changes on application systems are logged and maintained, and that changes that have been made on the applications have been approved and tested prior to implementation.	In Progress	Regular follow ups have been done by ICT to the User Director
73	CAF(73)(EV)-ISA: Inadequate facility and environmental controls - (ISS.73)	There was no physical and environmental policy in place, furthermore, the environmental controls such as, uninterrupted power supply (UPS), Generator, air conditioning system, and smoke and water detector system were not serviced during the period under review.	IT Management should ensure that maintenance schedule should be documented and implemented for all server room equipment and all access granted to service providers should be recorded and their access should be supervised.	In Progress	The development of Server Room Access Procedure Manual is taking place with assistance of ICT Governance Service Providers
74	CAF (74)(EV)-ISA: Inadequate implementation of user access management controls around Routemaster system. - (ISS.74)	The system-generated list of users whose access rights were changed or modified on the RouteMaster system was not provided for audit purposes.	Management should expedite the process of filling critical vacant positions within IT. Furthermore, management should ensure that the user access management policy is approved and implemented, thereafter compliance to the policy prescript should be monitored on continuous basis.	Budget has been done and recruitment and approval of User Access Management Policy are in progress at council level	Positions of CTO and ICT management have been budgeted and preparations for advertisements are taking place. The User Access Management Policy has been recommended by the ICT Steering Committee and has been presented to the Corporate Services Section 80 and Mayoral Committee and will be approved by council before end June 2021
75	CAF(75)(EV)-ISA: Inadequate implementation of user access management controls around SAMS system - (ISS.75)	Users are allowed access to initiate and approve transactions on the system and that user access is adequately segregated when transactions are captured and approved in the SAMS system.	Management should develop and implement a consequence management plan to enforce implementation of user access management policy and address any failure to do so without valid reasons.	In Progress	Consequence Management Plan to serve in the EMT and ICT Steering Committee before end June 2021

CAF No.	Finding	Details of finding	Proposed action by AG	Progress stage	Progress comments - Regarding what has been done
80	CAF(80)(EV)-ISA - Inadequate design and implementation of disaster recovery procedures - (ISS.80)	The Backup and Disaster Recovery Design and Configuration Manual had not been approved by Council for implementation in the Municipality	The process for presenting the Backup and Disaster Recovery Design and Configuration Manual to Council for approval is expedited;	In Progress	Newly Appointed ICT governance Service Providers are reviewing and developing all manuals and policies including The Disaster Recovery Design and Configuration Manual
83	CAF (83)(EV)-ISA - Inadequate design and implementation of backup management procedures - (ISS.83)	A backup log for the success/failure of backups performed for financial systems (Solar, RouteMaster, FreshMark, SAMS, PayDay and HR Focus) using VM Ware could not be obtained for the 2019/20 financial period.	Backups are adequately performed in line with the Municipality's Recovery Pointy Objective (RPO) and that evidence of the success/failure of backups performed is adequately maintained and documented; and The replication link between the primary and secondary data centre is adequately configured and that adequate documentation of the up-time of the replication link is maintained.	Procurement of Backup server complete.	Discussions with Facilities Management have been conducted to address electrical related challenges in the secondary data centre. The shareholder compact with and the service delivery agreement with CENTLEC, providing for mutual data and back up integration, has been approved by council paving the way for integrated data and back up facilities.
89	CAF (89) (EV)-ISA - Inadequate design and implementation of controls on HR Focus - (ISS.89)	A system generated list of user access changes could not be obtained from HR Focus, consequently, reasonable assurance on the effectiveness of controls around the user access amendment process could not be provided	The approval process of the Access Management Policy has been staggered due to challenges experienced in getting the IT Steering Committee to convene, as a meeting had not been held in over 2 years.	In Progress	The Policy has been presented to the Corporate Services and Mayoral Committee and now at council for approval
106	CAF106(EV)- ISA: Inadequate implementation of user access management controls around Solar Application - (ISS.106)	The service provider (BCX) had a level1 access rights (unrestricted access to all functions) on the system) and their access were not monitored. There was no process to monitor and review logon and access violations on the Solar system.	Management should develop and implement a consequence management plan to enforce implementation of user access management policy and address any failure to do so without valid reasons.	in Progress	Consequence Management Plan to serve in the EMT and ICT Steering Committee before end June 2021
124	CAF124 RFI261 (R2)Limitation of scope - ISA RFI No. 02 of 2020-alf - (ISS.124)	Evidence of software license agreements identified on the intangible asset register could not be obtained	management implements effective internal controls, which would assist in ensuring that requested information is submitted to the AGSA in a timely manner. Management submits the requested information to the audit team.	Done	ICT Services Standard Operating Procedures have been developed and under consideration by the EMT and City Manager. The Supply Management Policy has been amended to provide that only ICT will procure systems and other ICT services on behalf of User Directorates

CAF No.	Finding	Details of finding	Proposed action by AG	Progress stage	Progress comments - Regarding what has been done
197	CAF(197)(EV)-ISA- Inadequate implementation of patch management processes - (ISS.197)	there was no evidence provided for audit to demonstrate that the deployment of patches was actively monitored to ensure that all the devices connected to the municipality's network were adequately updated with the latest critical updates. Furthermore, there was no evidence provided to ensure that patches were implemented and tested prior deployed to the servers and computers.	IT Managements should ensure that patches are monitored regularly and Management should establish a consequence management plan to address the slow response to addressing the previous year audit findings.	In Progress	A System Centre Configuration Management server is closely monitored to test, download, and authenticate new patches in order to be deployed to computers and servers of Mangaung Metropolitan Municipality. Monitoring of newly installed patches is conducted daily. ICT Security Policy is serving in council for approval.
231	CAF231 ISA- Inadequate use of own device - (ISS.231)	The Municipality uses the Nedbank business application to process electronic payments for the Fresh produce Market and it was noted that users were allowed to make use of their personal devices such as cellphones to make the payments	Management should ensure that a Bring Your Own Device (BYOD) policy exist to regulate the security around personal devices and security controls should be implemented in line with the approved policy. Furthermore, a security awareness program should be implemented to ensure employees are aware of the importance of protecting sensitive information and the risks of mishandling information contained on their personal devices.	In Progress	Newly Appointed ICT governance Service Providers are reviewing and developing all manuals and policies including The Bring Your Own Device Policy.
255	CAF255 ISA - Inadequate use of FTP server - (ISS.255)	the FTP Server to download payment files from the Third parties such as Easy pay and from the Cashiers. This payment file is saved on the server as a text file and it is not encrypted to secure the information on the file from being amended.	Management should ensure that the payment files in transit over the networks and stored on the servers/computers are encrypted to protect the files from unauthorised interception and manipulation.	In Progress	Management is in discussion with the ICT security provider on the best way possible to encrypt payment files
261	CAF261 ISA - Limitation of scope - Utilities World - (ISS.261)	Evidence of software license agreements for the some of the applications identified on the intangible asset register were not provided	Management keeps a record of contracts or copy of licenses for programs currently in use	In Progress	Copies of Contracts are kept at legal services. The contract register has been developed and is constantly updated.

The Audit Committee Chairperson noted the presentation by Mr Jenkinson (Acting CTO) on the ICT Audit Action Plan (ICT Status Report).

3.2 Risk Management Reports

3.2.1 2020/21 Annual Risk Management Report

The Audit Committee Chairperson then afforded Me Koma (Risk Management Committee (RMC) Member) an opportunity to present the 2020/21 Annual Risk Management Report.

Me Koma (RMC Member) presented the 2020/21 Annual Risk Management Report as follows;

Key activities

Management together with other officials are responsible for the implementation and execution of risk management process. In the year under review the Committee reviewed the following documents;

Risk Management Terms of Reference
Risk Management Policy
Risk Management Strategy
Risk Management Implementation Plan

The Committee furthermore reviewed the municipal wide risk register containing the strategic, operational and fraud risk. The server crash report was considered with continuous monitoring of its action plan. On a quarterly the progress on implementation of mitigation strategies were monitored.

There are challenges in mitigating risks to an acceptable residual risk and the main reasons are Covid 19 restrictions and financial constraints.

Assurance on Risk Management

The Risk Management Unit undertook a risk maturity assessment to assess the maturity of the risk management implementation within the City. The City obtained a score of 3.1 which means either is compliance as per the National Treasury Public Sector Risk Management Framework though there are areas that need improvement.

Furthermore, Internal Audit on a quarterly basis provides assurance on the implementation of the risk management activities and once a year External Auditors (AGSA) probes into the activities of risk management.

There is a noticeable improvement in risk management culture within the City as the risk management reports serve both in the EMT and Audit Committee meetings.

Reflection on the Municipalities Risk related weaknesses

The absence of a Business Continuity Plan / Disaster recovery plan places the City on odds as this may give an indication of potential ceasing of operations should a hazardous and threatening event or occurrence take place.

Key recommendations

The deliberating and addressing key risks within the municipality, the following recommendations were made and are yet to be addressed

- Council approval of the Risk Management Policy
- Development and approval of a Data Reimbursement Policy as a result of the new way of holding meetings through virtual platforms
- Development of the Municipal wide Business Continuity Framework / Plan
- Implementation and compliance with POPIA

- The City to consistently apply internal controls to manage risks that are already occurring, where needs be, consider control redesign.

3.2.1 2020/21 4th Quarter Annual Risk Management Report

The Audit Committee Chairperson then afforded the Chief Risk Officer an opportunity to present the 2020/21 4th Quarter Annual Risk Management Report.

The Chief Risk Officer presented the 2020/21 4th Quarter Annual Risk Management Report, as follows;

Progress in terms of the Risk Management Implementation Plan (highlighting areas in-progress)

Planned Action	Time Frame/ Due Date	Progress	Comment
1. Development of Risk Management Implementation Plan <u>Output</u> Approved Risk Management Implementation Plan	July 2020	Completed	Approved 30/09/2020
2. Development of the RMC schedule of meetings <u>Output</u> Approved RMC schedule of meetings	August 2020	Completed	Approved 28/01/2021
3. Review of the following documents: 3.1 Risk Management Policy 3.2 Risk Management Strategy 3.3 Terms of reference of the Risk Management Committee <u>Output</u> Approved Risk Management Policy, Strategy and Terms of Reference	September 2020	3.1 To be completed in 2021/22 FY 3.2 Completed 3.3 Completed	3.1 Policy itemised for Council 3.2 Approved 28/02/2021 3.3 Approved 30/09/2020
4. Provision of Risk Management training to role players (raising awareness) <u>Output</u> Risk aware role-players throughout the municipality.	September 2020 March 2021	Completed	Risk champions workshopped on 30/09/220 Workshop with legal Services on the 15/02/2021
5. Completion of National Treasury Risk Management e-learning programme. <u>Output</u> Skilled and knowledgeable workforce (risk champions) that is risk intelligent.	June 2021	To completed in 2021/22 FY	Link sent to risk champions on 19/10/2020 to register for the e-learning programme. 3 confirmed registrations but none have completed the programme.

Planned Action	Time Frame/ Due Date	Progress	Comment
6. Register to write exam to obtain the Certified Risk Management Practitioner (professional designation) <u>Output</u> Skilled and knowledgeable risk management officials and recognised professionals	June 2021	To completed in 2021/22 FY	Submission approved and applications submitted for November 2021 board exam 1. Exam 1 will be written in the new financial year 2021/22
7. Conduct annual Strategic, Operational and Fraud Risk Assessments for the whole municipality (2020/21 FY) <u>Output</u> Approved Risk Assessment report of the 2020/21 FY aligned with the 2020/21 IDP/SDBIP targets.	October 2020	Completed	Approved 09/02/2021
8. Monitoring effectiveness of mitigation strategies. <u>Output</u> Quarterly Risk Monitoring Report on the extent to which mitigating strategies are effective.	August 2020 November 2020 February 2021 Mat 2021	August 2020 – Completed November 2020	Submitted and discussed on the 20/08/2020 Report to be consolidated with second quarter progress.
9. Report to Audit Committee and Council on risk management activities performed <u>Output</u> Signed report produced as per agreed frequency and content.	As and when required	Completed	Draft risk committee report by Chairperson to be discussed o the 28/06/2021
10. Development of the municipal wide Business Continuity Management Framework and Policy. <u>Output</u> Approved Business Continuity Management Framework and Policy.	30 June 2021	To be completed in 2021/22 FY	The ICT Business Continuity Plan be developed for the City in the next financial year 2021/22.

Overview of implementation of Risk Mitigation Action Plan progress for 2020/21 financial year

The City is still faced with challenges in implementing the planned mitigation actions which results in the risks occurring without being adequately managed. Common reasons indicated are Covid 19 restrictions, financial constraints and awaiting human resources process.

Emerging risks:

The following emerging risks have been noted during the quarter:

- Lack of contract management

- Covid 19 infections escalating

Materialised / Unmanageable Risks;

- Inadequate recourses (critical vacant posts not filled, printing and scanning services not available)
- Under collection of revenue
- Non-payment of suppliers within 30 days
- Inadequate maintenance programs (continued water losses)
- Overspending of overtime
- Disruptions of services by disgruntled service providers

These risks have had a negative impact on achievements of performance targets for the quarter, about 53% of the targets were not achieved. It should be noted that the Institutional Compliance and Shareholder Management sub-directorates were not functional for the year.

Challenges and Recommendations in terms of the Implementation of Risk Management processes

It is recommended that management should emphasize the implementation of current controls and prevent financial leakages as well as consider alternative revenue streams. Furthermore, there is a need for the City to cascade down the individual performance management system in order to strengthen individual performance and accountability.

The Audit Committee Chairperson noted the presentation by the Chief Risk Officer on the 2020/21 4th Quarter Annual Risk Management Report and further noted progress made by departments to respond to risk management reports.

3.3 Audit Action Plan (Management)

The Audit Committee Chairperson then afforded the Chief Financial Officer an opportunity to present the Audit Action Plan.

The Chief Financial Officer then presented the Audit Action as follows;

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
Accruals						
170	CAF170 (R2)Salary control account: Difference between Report 30 and AFS - (ISS.170)	Salary control account as disclosed in note 18 to the AFS has been understated by a factual disagreement misstatement of R2 196 791. This was due to unexplained reconciling differences between payday and third party reports and the GL	Management should reconcile payday with the GL on a monthly basis	* a permanent employee (Project leader) has been appointed on 01/09/2020 and will be responsible to perform these reconciliation. * Finance (reporting and compliance) is currently providing training to the employee and reconciliations will be performed retrospectively FY2020/21	Completed	A Project Leader has been appointed. Engagements were held between Finance and Corporate Services to address this matter.
Commitments						

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
156	CAF156 (R2)Commitment s: Follow-up of prior year issue 179 - (ISS.166)	2 contract that have expired that needed to be renewed on the calculation of the supporting schedule that was supplied by Mangaung Metro Municipality was not updated.	Management should ensure that the lease register is updated on a continuous basis with details per the lease contracts.	All Expired leases were updated on the straight line calculation and adjustments were made on the Straight lining calculation.	Complete	Continuous updating of the straight lining calculation will be done on a quarterly basis.
Contingent liabilities						
47	(EV2) REMAINS CAF47 Contingencies: Legal confirmations not returned - (ISS.47)	During the audit, challenges were experienced in obtaining external legal confirmations for the cases handled by the following legal firms, despite requests for assistance from the Director of Corporate services as well as the City Manager	Management should communicate with their team of legal representatives to request them to please provide the audit team with external legal confirmations.	Management should communicate with their team of legal representatives to request them to please provide the audit team with external legal confirmations.	Done	Meeting held with all newly appointed firms of attorneys on the 21st of June. Presentation was done on Contingent liability
254	CAF254 (R2) Contingent Liabilities - Understatement of Contingent Liability due to additional Contingencies - (ISS.254)	The cause of the above is that the additional contingent liabilities came under attention after the AFS were submitted for audit, but before the conclusion of the audit and approval of the AFS	Faster ways of communication between the lawyers and the municipality should be implemented	Faster ways of communication between the lawyers and the municipality should be implemented	Done	Meeting held with all newly appointed firms of attorneys on the 21st of June. Presentation was done on Contingent liability. Compliance with strict time frames was emphasised. Communication between MMM and Firms were outlined.
Provisions						
96	CAF96 Provisions - Landfill Sites: Issues noted (ISS.96)	Through the audit work done, we identified that the number of years used in the Present Value calculations of certain landfill sites did not agree with the report from SMEC Consultants.	Management should investigate the differences in the number of years, inflation and risk free rates and these should be corrected.	Asset management will liaise with the Directorate Fleet and Waste Management to ensure that permits are obtained and availed to the consultants during the annual assessment of Landfill sites	In Progress	Services provider appointed to assess landfill site.
Employee costs						
1	CAF1 (EV2) Employee related cost - Performance management system for employees - (ISS.1)	The municipality did not: - have a regularly reviewed and updated performance management system in place for the year under review to monitor, measure and evaluate the performance of employees	Management should develop and implement appropriate systems and procedures to monitor, measure and evaluate performance of staff as prescribed.	* Management has developed a draft Organisational Performance Management framework as well as the Individual Performance Management policy. * The Individual Performance Management system will be rolled out once the policies have been approved by council as the policy will inform the system.	Censitizing and preparation stage	The project team has been meeting and is liaising with SALGA National and SALGA Free State as well as COGTA .Training sessions have been scheduled on aspects such as Performance Management, Organizational Culture Change Management and

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		below senior management. - perform any job evaluations				compiling of a HR Strategy.
2	CAF2 (EV2) Employee related cost - Performance evaluations not performed for city manager and senior management - (ISS.2)	The municipality did not - monitor, measure and evaluate the performance of the city manager and senior managers in the year under review, establish evaluation panels to monitor, measure and evaluate the performance of the city manager and senior managers in the year under review	Management should monitor, measure and evaluate performance of the City and other senior managers in terms of performance agreements as prescribed. Management should also appoint panels for evaluating the annual performance as prescribed.	Development and approval of Organisational Performance Management Policy Framework for implementation. Submission to the Executive Mayor for approval of appointment of panellist for performance evaluation. Evaluation session to be scheduled.	In Progress	Performance Management Framework in place. The City will be working with SALGA National to review the PMS framework, systems and processes.
12	CAF12 (EV2) - Employee related cost - Succession plan - (ISS.12)	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 are key to the organisation's effectiveness.	Streamline the processes to get policies approve, establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities	Development and approval of Succession Policy by Council.	In Progress	Draft Succession Policy developed Policy to be consulted with organised labour at LLF and subsequently submitted for Council approval
13	CAF13 (EV2) Employee related cost - Internal control - Monthly reconciliation of payroll not performed - (ISS.13)	During the evaluation of the employee cost business process, it was noted that management did not perform monthly reconciliations of the Payroll system to the Accounting system.	Management should ensure that monthly reconciliations of the Payroll system and the accounting system are performed.	* a permanent employee (Project leader) has been appointed on 01/09/2020 and will be responsible to perform these reconciliation. * Finance (reporting and compliance) is currently providing training to the employee and reconciliations will be performed retrospectively FY2020/22	Completed	A Project Leader has been appointed. Engagements were held between Finance and Corporate Services to address this matter.
79	CAF79 (EV2) Employee related cost - Overtime - (ISS.79)	The Act does state that, should there be instances of working hours exceeding 10 hours a collective agreement should be agreed upon for the approval of the 15 hours per week. 7 918 instances were identified where employees was allowed more than allowed the 40 hours (10 hours per week) 806 instances were identified of individual	Management should implement an overtime policy and effective internal controls measures to ensure compliance to the Basic Conditions of Employment Act. Pre-approval for overtime and standby allowances work should be granted before overtime is worked and paid.	* Draft Overtime Policy has been developed and is at the last leg of consultation after serving at Policy Forum, EMT, Mayco, Section 80 Committee and LLF sub-committees.	Awaits approval for implementation	The policy has been drafted and submitted for approval.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		employees where more than the 40 hours Night Time Hours in a month was worked during the year employees whose salaries were in excess of R205 433,30 per annum (R17 119.44 per month) but received overtime payments				
115	EV CAF115 (R2)Fruitless and wasteful expenditure: PAYE, UIF and SDL payments were not made within 30 - (ISS.115)	The municipality failed to pay as you earn (PAYE), unemployment insurance fund (UIF) and skill development levy (SDL) within South African Revenue Services (SARS) prescribed period and within 30 days as required by municipal finance management act.	Management should implement controls to ensure that SARS is paid within SARS prescribed period.	The finding refers to an isolated case of an underpayment to SARS for the month of February that was established after a reconciliation was done by the Payroll Division. The under payment was made later in the year which resulted in a penalty for the late payment. All the monthly declared amounts for the 2019/20 year were paid timeously before the due dates as part of the cash flow management system. Corporate Services (Payroll Division) must comment on the actions to be taken to ensure that the correct amounts are calculated and paid to SARS.	Complete	The matter must be referred to Corporate Services. Declared amounts are paid before the due date of each month however, payments of penalties were made.
133	CAF133 (EV2) Employee related cost - Appointments - (ISS.133)	support that the following posts were advertised nationally or internally were not submitted as requested: no support was made available in the employee files or no additional documentary proof was submitted as requested for the following, - the interview process attendees of the interview (attendance registers), the minutes of the interview ,reasons for the selection the audit team was unable to confirm whether the attendance register was signed by the panel for the interview's, as	Management should: - Ensure that the information is filed in a way that it would be easily retrieved and be submitted to the auditors. - Submit the requested information to the auditors as a matter of urgency	Management did not agree with this finding and we furnished our reasons. The employment policy is however currently being reviewed to address some of the challenges. The policy is at the last leg of consultation.	Awaits finalisation of Consultation Process.	The policy is at the last leg of consultation.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		no attendance registers was included in the employee files. No vetting documents could be found in the employee files.				
215	CAF215 (EV2)Employee related cost - Overtime - Differences in calculations - (ISS.215)	difference was identified when the overtime paid to employees were recalculated based on the employee's records. difference was identified when the Night shift paid to employees were recalculated based on the employee's records	Management should investigate and recalculate all overtime, night time, shift and stand-by allowance payments made to ensure the correctness of the payments made to employees. Differences should be recovered and/or rectified.	Development of Standard Operating Procedure for calculation of overtime and allowance payments	In Progress	Standard Operating Procedures are being developed
225	CAF225 (EV2)Employee related cost - internal control - Employee verification - (ISS.225)	During the physical verification of staff listed on the payroll and the staff establishment it was identified that the following former employees was listed on the payroll and the staff establishment as filled posts, however did not receive any salaries and could not be physically verified	To ensure adequate control measures management should remove the former employees from the payroll and the staff establishment.	Employees are terminated.	In Progress	Former employees are being removed from pay roll. The development of control measures to ensure monthly quality reviews of payroll chances will be discussed at EMT.
Covid 19						
41	CAF41 (R2)Communication of findings - PPE at Margaung Metro Municipality - delivery lead time - (ISS.41)	The municipality did not adequately monitor the lead time of supplier in the delivery of PPE. Suppliers' experiences low stock levels of PPE due to the demand related to the COVID-19 pandemic, which impacted on their ability to supply the municipality.	Management should put measures in place to ensure that delivery lead time is included in the contractual agreement with the supplier.	Review contract management SOP to include the controls and the contract documentation.	In Progress	The SOP for contract management is in place and will be reviewed to include the recommended controls on lead times.
110	(EV1) CAF110 (R2) COVID-19 expenditure - Discrepancies and Limitations - (ISS.110)	Inadequate control measures and no senior management review in place to ensure COVID-19 related funds are used to procure goods and services	Management should investigate the reported finding and submit detailed comments on issues raised. Management should also indicate what control measures will be implemented to ensure applicable laws and regulations are at all times adhered to.	Expenditure Management targets to be included in the Performance Plans of CM and Snr Management inclusive of record keeping.	In Progress	The performance plans of the CM and Snr Management on the Expenditure Management targets will be improved for 2021/2022 FY in order to respond to COVID-related matters.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		related to the COVID-19 pandemic				
185	CAF185 (R2)Communication of findings - PPE at Margaung Metro Municipality - (ISS.185)	Municipality did not conduct a comprehensive PPE needs determination to ensure timeous and continues supply of PPE to all user department in accordance with their specific needs.	Municipality should conduct a comprehensive PPE needs determination to ensure timeous and continues supply of PPE to all users in accordance with their specific needs. Purchases through petty cash should only be used when the normal procurement fails.	SOCIAL DEVELOPMENT: When the Lockdown was announced on 23/3/2020 and a state of Emergency was announced by Pres Ramaphosa, the Directorate Social Services had to procure hand sanitizer, gloves, disposable masks, surface cleaner and relevant PPE's for the employees doing essential services from Petty Cash. During the Adjustment Budget Process Health and safety was awarded additional funds procure PPE's for Margaung Metro employees and the facilities used by the public e.g. Libraries	Complete	SOCIAL DEVELOPMENT: A detailed analysis need assessment was done by the Divisions, especially the areas visited by the public e.g. Libraries to address the safety of both visitors and employees. The Environmental Health Officers were supplied with disposable suites when attending Covid Funerals to ensure that the correct procedures is followed.
210	CAF210 (R2)COVID COAF Margaung Metropolitan Municipality Procurement of Batlokoa and Benetech_15Feb IBUtoRA - (ISS.210)	For the purchase of Covid-19 PPE, Management did not implement adequate control processes to ensure compliance to the procurement legislative prescripts. Particularly as it relates to price negotiations and the approval thereof.	Management should ensure that negotiations are conducted in accordance with the SCM policy and the applicable SCM Legislative prescripts. They should indicate the control measures they will implement to ensure compliance.	Management will ensure that bids are completed within the prescript timeframe of 120 days to avoid unnecessary price negotiations due to inflation rates	In Progress	0 Due to the instability at SCM this matter has not yet been addressed.
226	CAF226 (R2)IBU Margaung Letter of Audit Observation - IBUtoRA - (ISS.226)	Control weaknesses and associated fraud risks pertaining to the covid-19 initiatives at Margaung metropolitan municipality	The accounting officer for a municipality must ensure that the municipality, has and maintains effective, efficient and transparent systems of financial and risk management and internal control.	Include COVID 19 Expenditure as one of the Fraud Risks in the Risk Register	In progress	Risk Register in place and will be updated
Financial statements						
69	CAF182 (R2) Financial Instrument - Disclosure differences - (ISS.182)	Resolved		Differences between the retentions register and the vote number have been followed up with Grava at engineering. All retentions not reconciled will be processed and the retentions vote number will be updated.	In Progress	Grava has done the reconciliation and a journal will be processed at year end.
Year-end evaluation						
224	CAF224 (R2) Year End Evaluations not Performed within 2 months after year end - (ISS.224)	The municipality did not send their year-end evaluation report to the transferring officer by 31/08/2020.The year-end evaluation report was	Management should ensure that all year end evaluations for the grants are submitted within two months after the financial year end.	Developed a timetable for all IPTN DORA reporting requirements and ensure strict compliance.	Not done	DORA reporting timelines are explicit in the and the proposed timetable will be developed based on the provision of the PTNG in the DORA.

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		approved on 20/11/2020 for USDG and 29/11/2020 for IPTN. Which means the report was not submitted to the transferring officer subsequent to the approval				
Risk assessment						
34	CAF34 (EV1) Planning: Internal control deficiencies identified in the risk assessment process - (ISS.34)	There were gaps identified in the sequence of fines in the registers	Management implements effective ongoing monitoring activities of internal controls in order to be able to detect and correct misstatements in a timely manner.	The Immediate supervisor were requested to ensure that Traffic officers submit all cases on a daily basis	In Progress	The sub directorate perform daily reconciliation of fines issued and received for capturing,
Consequence management						
117	(EV1) CAF117 (R2)Consequence management - UIF investigation and reporting to MEC of local government and Auditor-General - (ISS.117)	no proof was submitted that unauthorised, irregular, fruitless and wasteful expenditure incurred by the municipality was investigated to determine if any person is liable for the expenditure. Al so no proof of reports submitted by management to Council or MPAC for investigation and reporting back to Council on the outcome.	Management should implement controls to ensure prompt investigations and recovery process of UIF expenditure in terms of legislation	UIF to be identified on a quarterly basis and submitted to Council and MPAC.	Not done	0 Process to appoint a service provider underway, to assist with the investigation of UIF expenditures.
Land availability						
262	CAF262 (R2) - Land availability liability - (ISS.262)	Through scrutinization of the prior year and current year AFS, we noted that there was not land disposal. Consequently, we believe that the municipality has not accounted for the land disposal as per above clause in the contract.	Management should amend the AFS	Meeting with the HOD housing and Kentha needs to be organised so that the whole land availability can be accounted for in an agreed manner with the AG.	In Progress	Meeting with HOD and Kentha to be organised.
Going concern						
44	CAF44 (R2)Going concern- Financial recovery Plan is a draft and not approved - (ISS.44)	The financial recovery plan is not approved by either the administrator or relevant official. The plan is not updated with any progress against service delivery as indicated on pages 34-42. No plans	Management should provide the auditors with the approved financial recovery plan and updates with any progress against service delivery as indicated on pages 34-42 of the financial recovery plan.	The Administration team will monitor the financial recovery plan of the Metro as requested by the Premier of the province	In Progress	Ongoing

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		documented for the "City Strategy" and "Strategic Development Review" as indicated on page 30 of the recovery plan.				
Immovable assets						
46	CAF46 (R2)Key Projects - (ISS.46)	The following assets selected from the Work-In-Progress (WIP) register and verified as complete were not capitalized	Management should do regular follow up on assets that are in the WIP register over longer period than expected. Management should correct the misstatement retrospectively by adjusting the figures for WIP, depreciation and property, plant and equipment	Information was submitted to the Office of the Auditor General in support of the classification of projects. The stage of completion is assessed on a quarterly basis by the relevant Project Managers and reported to Asset Management	Not done	Project Stage of Completion Certificates circulated to Project Managers as at the end of Q3 Year-end processes currently underway
64	CAF64(EV1) Depreciation: Useful life differences between the AFS accounting policy and the Asset management policy - (ISS.64)	During the audit of depreciation, the differences were identified between the accounting policy of Property, Plant and Equipment	Ensure that 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 and update the financials with the correct useful lives.	The Asset management policy and Accounting policy will be aligned	Not done	Will be done at year end Year-end processes currently underway
125	CAF125 (R2) Assets - Limitation of scope-Water Meters Additions - (ISS.125)	Asset management does not receive detailed documentation from contractors of the type of water meters that were installed and their cost, only receiving an overall report	Management should obtain detailed supporting documentation from contractors regarding water meters.	Water Demand Management currently busy developing a meter management system. Additions for 2020/2021 will be accounted for on a payment certificate basis	In Progress	Job card information and location of meters requested from Engineering services Year-end processes currently underway
142	CAF142 (R2) Property, Plant and Equipment - WIP Projects not unbundled - (ISS.142)	audit procedures performed on the documentation submitted by management we were unable to determine whether the projects were unbundled and categorised into their respective class of assets	investigate the above and the entire population of Property, plant and equipment for instances where the project was not unbundled, and indicate whether sufficient supporting documentation has subsequently to the submission of the AFS been received in order to componentise the assets into their significant parts	Supporting documentation not submitted at year end will be obtained from the respective Project Managers	Not done	Project Information was requested - Not yet received T1530 and W1119 Year-end processes currently underway
149	CAF149 (R2) Property, plant and Equipment - Physical asset verification - (ISS.149)	During physical asset verifications, assisted by management's consultants, we were unable to confirm the physical existence of the following water	Management should locate the stated water meters and arrange that they can be verified by the auditors.	Water Demand Management currently busy developing a meter management system. Additions for 2020/2021 will be accounted for on a payment certificate basis	In Progress	Job card information and location of meters requested from Engineering services and updated continuously Year-end processes

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		meters as per asset register				currently underway
150	CAF150 CAF178 (R2) Property, Plant and Equipment (Additions) - Supporting documentation not submitted - (ISS.150)	The documentation submitted by management was insufficient for the auditors to confirm the purchase of certain assets	management should put controls in place to ensure information is readily available.	Water Demand Management currently busy developing a meter management system. Additions for 2020/2021 will be accounted for on a payment certificate basis Proper stock counts must be done at year end	In Progress	Confirmation requested from Water Demand of meter serial numbers incorrectly captured on stock list resulting in a mismatch between payment information and meters received Year-end processes currently underway
190	CAF190 (R2) Limitation of scope - WIP (Long outstanding projects) - (ISS.190)	the following 2 contracts were not submitted for audit, therefore issue is partially resolved - W1515 ; W1515-1, T1430C	Management should monitor projects that have been in work in progress for long time.	Management will again access the status of all projects in WIP at year end and, where necessary, obtain approval to impair or write-off some of these balances	Not done	Done at year end Year-end processes currently underway
233	CAF233 (R2)WIP Projects not marked as complete on the register - (ISS.233)	audit procedures performed on the documentation obtained from management, completed projects were identified, but their statuses have not been updated and these projects were still under work in progress.	inspect the entire WIP register to identify completed projects that remain in WIP with a status that has not been updated and correct the register as needed.	The status column in the WIP Register will be updated accordingly. Completed projects were however capitalised	In Progress	Status were updated Year-end processes currently underway
Inventory						
108	CAF108 - Inventory-Internal control - (ISS.108)	It was noted that open lines were not crossed out diagonally on requisitions. (Fleet Management - Fuel)	When reviewing stock issue requests, the official authorising requests should ensure open lines are crossed out.	The manager responsible for review will ensure that open lines are crossed out.	In Progress	0 A new system will be implemented during the current financial year (2021/22) with the assistance of National Treasury.
Leases						
104	Partially resolved - CAF104 (R2)Finance lease obligation differences - (ISS.104) CAF141 Finance lease obligation - Amortisation schedule and Lease register differences - (ISS.141)	During the audit of finance lease obligation, the differences were noted	The error occurred due to lack of effective review of the financial statements by management to ensure that transactions per AFS agree with the supporting schedules.	The remaining difference between the lease register and General register will be corrected with the submission of the 2020/2021 AFS	Not done	Done at year end Year-end processes currently underway
Operating expenditure						
9	CAF9 (EV1): Planning: Purchases and payables- Payment not done within 30 days - (ISS.9)	Payment not done within 30 days	Management should implement proper controls to ensure that invoices are paid within 30 days after the date which the invoice was received.	An effective cash flow system is in place to ensure that payments are made within 30 days as prescribed by the Act. A cash flow report is compiled on a daily	Ongoing	Steps are being taken to increase the debt collection of the municipality

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	CAF92 (R2) Payment not made within 30 days after receiving Invoice - (ISS.92). (EV2) CAF245 (R2) Operating expenditure- Payments not made within 30 days			basis indicating the days outstanding of all invoices captured on the system. The report is being reviewed and monitored by the CFO, City Manager and Administrator. Full compliance, however, is not possible due to cash flow constraints, which will lead to late payments as indicated above		
40	PARTIALLY RESOLVED (EV2) CAF40 Debt written off- limitation of scope - (ISS.40)	Detailed register for all traffic fines written off in 2019/20. Resolution approving the write off of R274 227 999.13 as the opening balance of traffic fines for 2019/20.	Management should ensure that a detailed register for all traffic fines written off in 2019/20 is provided and not a summary.	The traffic fines for 2019-2020 is still valid for 2 year period and cannot be written off	In Progress	The sub directorate is monitoring all traffic fines and the report will be drafted by the end of the financial year
213	CAF213(R2)Contracted services - Invoice Processing Control finding - (ISS.213)	The municipality took more than 2 months (60 days) to process the payment vouchers to the financial system	Management should put in place adequate internal controls to ensure that expenditure is recorded on a timely basis.	A system is in place that all vouchers received must be captured for inclusion in the daily cash flow documentation. The vouchers are received by the Accounting Clerk and authorized by the Accountant. Various reasons can exist for the late capturing of invoices, which can include the following: Incorrect or non-compliant tax invoices which must be corrected, disputes with service providers regarding service delivery, delays due to Covid 19 regulations and budget related issues.	Ongoing	Vouchers received for payments are verified on a daily basis. Incorrect documentations are returned for correction.
Payable						
30	CAF30 (R2)Trade payables- Prior year issues not corrected - (ISS.30)	Differences were identified between the supplier's statements and GL/Creditors listing	Management should make the necessary adjustments to the financial statements on the comparative figures to either write off these amounts or provide support for them.	This matter refers to prior year adjustments and is followed up with legal services as some of the items relates to garnishees that were made on the municipal bank accounts and were then subsequently paid by the municipality leading to double payments	In Progress	This is because of accruals and since there are a lot of creditors accurate reconciliation are only done for the big creditors like Bloemwater. Other small suppliers don't even have statements so they are not reconciled at year-end.
Predetermined objectives						
3	CAF3 (EV 2) AoPO - High level review - Inconsistencies per the revised SDBIP and per the APR. - (ISS.3)	A comparison was made between the revised Service Delivery and Budget Implementation Plan 2019-20 (SDBIP) and the Annual Performance Report 2019-20 (APR) and a	Management should prepare regular, accurate and complete performance reports that are consistent with the approved indicators and targets as approved in the revised SDBIP and reported in the APR	Management will use the SMART principle to adhere to performance reports that are consistent with the approved indicators and targets as approved in the revised SDBIP and reported in the APR	In Progress	Management has improved the revised SDBIP 2020/2021

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		number of inconsistencies were noted				
7	CAF7 (EV2) AOPO - Planning - Action plan submitted does not include the AOPO findings. - (ISS.7)	Audit Action plan submitted does not include the AOPO findings	It is recommended that management should develop the action plan to address prior year audit findings raised under the audit of predetermined objectives.	The 2019/2020 AOPO action plan is developed, and will be included to the overall action plan of the city	In Progress	The 2019/2020 AOPO action plan is been developed and will be included to the overall action plan of the city
20	CAF20 (E2) Performance BP: Inadequate Performance Management System - (ISS.20)	During our review of the Performance management monitoring and reporting business processes, deficiencies were noted regarding the Organisational Performance Management System document of the Metro 1, the system is not regarded as being adequate as it does not include detailed standard operating procedures to guide performance management within the metro 2, it does not provide sufficient detail of the following PMS relevant functions: Planning, monitoring, reporting on performance and delegation of roles and responsibilities regarding the functions. Further, it does not provide sufficient description of improvement/action plans process 3, the mid-year performance assessment did not take into account the metro's annual report for the past year and progress on resolving problems identified in the annual report	Management should develop detailed policies and standard operating procedures together with technical indicator descriptions (TID'S) that will guide the proper functioning of performance management within the municipality. Standard operating procedures and Technical indicator descriptions should be developed for all objectives and performance indicators included in the SDBIP.	Albeit some of the findings were resolved, the city will incorporate the SOPs in the PMS framework	In Progress	The city has developed the detailed SOPs and will be incorporated into the City PMS framework
33	CAF33 (EV2) Performance management	The Organisational Performance	Management should ensure that more effective process are	The Organisational Performance	Complete	The Organisational Performance

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	system: The Organisational Performance Management Policy was only approved in June 2020 - (ISS.33)	Management Policy was only approved in June 2020	established within the municipality and proper oversight is exercised effectively relating to monitoring of compliance with the relevant laws and regulations	Management Policy was approved in June 2020		Management Policy was approved in June 2020 and in place
50	CAF50 (R2) Apo - Non material indicators not included on the revised SDBIP and APR - (ISS.50)	These findings of the non-material KPI's will be reported in the Management report. KPI: Water and Sanitation - Fire Hydrants (Auditing, locking, replacement and Repair etc.) KPI: Water and Sanitation - Bulk supply meters location, replacement, calibration and installation of control meter KPI: Waste and Fleet management - % of Increase efficient utilization of the MMM's fleet KPI: Waste and Fleet management - Efficient vehicles acquisition process	Management should prepare regular, accurate and complete performance reports that are consistent with the approved indicators and targets as approved in the original SDBIP, revised SDBIP and reported in the APR.	Management will prepare regular, accurate and complete performance reports that are consistent with the approved indicators and targets as approved in the original SDBIP	In Progress	The revised SDBIP is reviewed in line with the city's adjustment budget
103	(ADJ)CAF103 (EV2)AOPO - Water and sanitation - Difference identified between the schedule and APR - (ISS.103)	During the performance of the audit of predetermined objectives a comparison was made between the achievements reported in the Annual Performance Report and the supporting documents and differences were noted	Management implement effective internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents. Management should investigate the above differences and the APR be adjusted accordingly	Management will develop a quality management check list to ensure alignment of the KPIs and POEs. Further more, the management will ensure that records (site instructions, job cards, inspection sheet/form by consultants, etc) are kept of all the installations/replacements of water meters.	In Progress	Information such site instructions, job cards, inspection sheet/form by consultants, etc is submitted with the payment certificates.
107	(Partially Resolved) (EV2) CAF107 (R2)- AOPO - Water and Sanitation - Limitation of scope - RFI 227 not submitted - (ISS.107)	Lack of internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents	Management implement effective internal controls, which would assist in ensuring that requested information is submitted to the AGSA in a timely manner. Management submits the requested information to the audit team.	Management will develop a quality management check list to ensure alignment of the KPIs and POEs. Moreover, the management will ensure that records (site instructions, job cards, inspection sheet/form by consultants, etc) are kept of all the installations/replacements of water meters and MMM: Project Manager will conduct the spot checks to verify the works done by the	In Progress	Information such site instructions, job cards, inspection sheet/form by consultants, etc is submitted with the payment certificates.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
				consultants on a regular basis.		
109	(Not Resolved) CAF109 (EV2)AOPO - Water and Sanitation - KPA - Refurbishment of sewer systems - Achievement in APR not accurate (material indicator) - (ISS.109)	The achievement reported in the APR for KPA - Refurbishment of sewer systems was agreed to the km was per Certificate 3 and the relevant job cards and differences were noted	Management implement effective internal controls to ensure that the achievement reported in the APR are reconciled to the supporting documents. Management should investigate the above differences and the APR be adjusted accordingly	Management will develop a quality management check list to ensure alignment of the KPIs and POEs. Additionally, the management will ensure that records (site instructions, job cards, inspection sheet/form by consultants, etc) are kept of all the installations/replacements of water meters and MMM: Project Manager will conduct the spot checks to verify the works done by the consultants on a regular basis.	In Progress	Information such site instructions, job cards, inspection sheet/form by consultants, etc is submitted with the payment certificates.
113	ADJ(Partially Resolved) CAF113 (EV2)AoPO - Road and Stormwater (limitation of scope) - Lead schedule. - (ISS.113)	Lack of internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents	The outstanding information should be submitted by management for audit consideration. Management should indicate which internal control measures will be implemented to ensure that requested information is submitted to the AGSA in a timely manner	The management will implement an information management system consisting of data uploaded by project managers and / or engineers into a computer, processed and put into context.	Not done	POEs are submitted with the payment certificates. Progress and technical meeting minutes are filed by the Project managers
118	(Not Resolved) CAF118 (EV2) AOPO - Waste and Fleet management - Differences identified between the schedule and APR (Non-material indicator) - (ISS.118)	Waste and Fleet management a comparison was made between the achievements reported in the Annual Performance Report and the supporting documents and the differences were noted	Management implement effective internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents. Management should investigate the above differences and the APR be adjusted accordingly.	Management will review the submitted/reported performance for accuracy and completeness. By checking that the reported performance is supported by relevant documentation. Furthermore, management will check the reported differences identified in the APR and adjust the APR accordingly.	In Progress	0
145	(Not Resolved)CAF145 (EV2) AOPO - Human Settlements - Overstatement of achievement Vistapark Ext. 2 and Vistapark EXT 3 Installation of water and sewer reticulation on subsidized units (non-material indicator HS) - (ISS.145)	Lack of internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents	Management implement effective internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents. Management should investigate the above differences and the APR be adjusted accordingly	The 20% target will be revised, and a more user- friendly KPI (Number of draft documents) will be used instead.	Complete	It has been revised in the 2021/2022 SDBIP submitted to Council for approval
155	(Not Resolved)CAF1	Lack of internal controls to	Management implements effective	Management will review the submitted/reported	In Progress	0

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	55 (EV2)AOPO - Waste and Fleet Management - Schedule of turnaround time of minor maintenance not accurate (non-material) - (ISS.155)	ensure that the achievement reported in the APR is reconciled to the supporting documents	internal controls to ensure that supporting schedule are reviewed to ensure that the achievement reported in the APR is supported by the accurate and reliable information	performance for accuracy and completeness. By checking that the reported performance is supported by relevant documentation.		
158	(Partially Resolved)CAF1 58 (EV2 AOPO- Water and Sanitation- Overstatement of KPI - Refurbishment of water supply Systems: Automated meter reading and prepaid programme (USDG) and Replace water meters (non-material indicators) - (ISS.158)	Lack of internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents	Management implement effective internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents. Management should investigate the above differences and the APR be adjusted accordingly	Management will develop a quality management check list to ensure alignment of the KPIs and POEs. Moreover, the management will ensure that records (site instructions, job cards, inspection sheet/form by consultants, etc) are kept of all the installations/replacements of water meters.	In Progress	Information such site instructions, job cards, inspection sheet/form by consultants, etc is submitted with the payment certificates.
162	(Partially Resolved)CAF1 62 (EV1) AOPO - Water and Sanitation - Refurbishment of water supply systems : Automated meter reading and prepaid programme (USDG) - Replace water meters- Understatement (non-material indicator) - (ISS.162)	it was noted that the reported actual achievement, excluded documents acquired from contractors. Several differences were found. There were job cards selected from the contractor's register, which were not recorded on the schedule provided for audit purposes.	Management should ensure that all information is recorded as per performance indicator, by ensuring regular review on work done by contractors	Management will implement document management system with checks and balance to ensure the alignment of submitted information. Additionally, management will ensure that records (site instructions, job cards, inspection sheet/form by consultants, etc) are kept of all the installations/replacements of water meters and MMM: Project Manager will conduct the spot checks to verify the works done by the consultants on a regular basis.	In Progress	Information such site instructions, job cards, inspection sheet/form by consultants, etc is submitted with the payment certificates.
164	(Not Resolved)CAF1 64 (EV2) AOPO - Water and Sanitation - Refurbishment of water supply systems: Automated meter reading and prepaid programme (USDG)- Water connections metered as a percentage of total connections - understatement(non-material indicator) - (ISS.164)	KPI: Refurbishment of water supply systems: Automated meter reading and prepaid programme (USDG) - Water connections metered as a percentage of total connections-, it was noted that the recorded performance excluded documents acquired from contractors in substantiating the reported achievements of the targets. There were job cards selected from the	Management should ensure that all information is recorded as per performance indicator, by ensuring regular review on work done by contractors	Management will ensure that records (site instructions, job cards, inspection sheet/form by consultants, etc) are kept of all the installations/replacements of water meters and MMM: Project Manager will conduct the spot checks to verify the works done by the consultants on a regular basis.	In Progress	Information such site instructions, job cards, inspection sheet/form by consultants, etc is submitted with the payment certificates.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		contractor's register, which were not recorded on the schedule provided for audit purposes				
165	ADJ (Partially Resolved) CAF165 (EV1) AOPO - Roads and Stormwater - Misstatement of KPI's (overstatement) (non-material indicator) - (ISS.165)	Predetermined Objectives for Basic services (Roads and Stormwater), we noted that some of the KPI's the total reported achievement as per the APR, does not agree to the supporting list provided for the actual achievement	Management should ensure that reported achievements are evidenced by supporting documentation that is accurate, valid and complete	1. Management reported in CAF 165 that construction of a road is, mostly, undertaken from the subgrade course to the sealing course, not as a complete unit from the starting chainage to the next. Thus, making it hard to report covered kilometres in a cumulative reporting manner. 2. Management will formulate targets based on project outcomes instead of technical achievements relating to outcomes. This will ensure that the KPI are improved and SMART.	Not done	Not Applicable. KPIs reformulated
171	(Not Resolved)CAF171 (EV2) AOPO - Water and Sanitation - Refurbishment of water Prepaid water meters (USDG)- Overstatement (non-material) - (ISS.171)	KPI: Refurbishment of water Prepaid water meters (USDG), it was noted that some of the jobs performed could not be verified due to various reasons	Management should provide the auditors with the correct supporting documentation that agrees with the actual achievement reported, furthermore work approved by the consultants should be reviewed	Management will ensure that records (site instructions, job cards, inspection sheet/form by consultants, etc) are kept of all the installations/replacements of water meters and MMM: Project Manager will conduct the spot checks to verify the works done by the consultants on a regular basis.	In Progress	Information such site instructions, job cards, inspection sheet/form by consultants, etc is submitted with the payment certificates.
172	(Not Resolved)CAF172 (EV2)AOPO - Water and Sanitation - Refurbishment of sewer systems and Refurbishment of sewer systems in Soutpan - Internal Control Deficiencies and Misstatement - (ISS.172)	KPI: Refurbishment of sewer systems, a comparison was made between the planned and reported key performance targets listed in the revised SDBIP and the fourth quarter SDBIP. Inconsistency between the approved and reported targets were identified	Management should prepare regular, accurate and complete performance reports that are consistent with the approved indicators and targets as approved in the revised SDBIP.	Management will develop control check list to ensure the alignment of KPIs and POEs.	Not done	0
173	(Not Resolved)CAF173 (EV2) AOPO - Water and Sanitation - Internal control finding: Supporting documentation don't agree with reported achievements as per four quarterly reports - (ISS.173)	A comparison was made between the achievements for the year as included in the quarterly SDBIP's(MFMA section 52 reports) and supporting documentation submitted. Inconsistencies between the supporting documentation and the	Management should prepare regular, accurate and complete performance reports that are consistent with supporting information to validate the achievement.	One-on-one engagement with Departments to encourage timeous submission of reports and the schedule for the verification of both the reported performance and POEs was incorporated in the IDP/Budget process plan as approved by Council	Complete	One-on-one engagement with Departments to encourage timeous submission of reports and the schedule for the verification of both the reported performance and POEs was incorporated in the IDP/Budget process plan as approved by Council

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		achievements in the quarterly SDBIP reports were identified				
174	(Not Resolved)CAF174(EV2)AOPO - Water and Sanitation - Refurbishment of water supply systems: Automated meter reading and prepaid programme (USDG) -lack of controls - (ISS.174)	Mangaung Metropolitan Municipality does not keep appropriate records of persons who apply for or require prepaid water meters, as requests are made via WhatsApp and SMS and no appropriate records are made of these requests.	Management should ensure to keep appropriate records in order to trace the initiation of a installation or replacement of a water meters	The management will develop a software system that will assist with the whole process of meter management and installation.	In Progress	We are in the process of developing a meter management system.
179	(Not Resolved) CAF179 (EV2) AOPO - Water and Sanitation - Refurbishment of sewer systems in Soutpan (Limitation) 30% based on timeframe which cannot be linked to scope of work(material indicator) - (ISS.179)	Water and Sanitation - Refurbishment of sewer systems in Soutpan (Limitation) 30% based on timeframe which cannot be linked to scope of work	Management implement effective internal controls to ensure that the achievement reported in the APR is supported by reliable information	Management will develop SMART indicators and test their soundness with the internal audit. Furthermore, an information control sheet will be crafted to ensure the alignment of the KPIs and POEs	Not done	Not Applicable. This is work in progress.
183	(Not Resolved) CAF183 (R2) AoPO - Water and Sanitation - KPA - Refurbishment of Sewer Systems - Achievement reported in the APR not complete. (material indicator) - (ISS.183)	payment certificate 2 under schedule no 4 of the schedule of quantities was compared to the information disclosed in the APR as achievement and it was found that the sewer pipeline refurbished as stated in the Certificate 2 were not included in the APR	Management should maintain a register to ensure that the achievement reported in the APR are reconciled to the supporting documents to ensure that all the work performed is reported in the APR. Management should investigate the above issue.	Management will craft an information control sheet with checks and balance to ensure the alignment of all the documents	Not done	Not Applicable. This is work in progress.
186	(Not resolved) CAF186 (EV2) AOPO - Water and Sanitation - Refurbishment of water supply systems: Automated meter reading and prepaid programme (USDG)-control deficiencies (non-material indicator) - (ISS.186)	KPI: Refurbishment of water supply systems: Automated meter reading and prepaid programme (USDG), it was noted that the Mangaung Metropolitan Municipality does not assess the work of the consultant	Management should ensure that the work of the consultant is assessed to ensure work of the consultant is actually performed. Management should ensure that a register/records are kept of all applications/requests to install/replace a water meter	Management will ensure that records are kept of all the requests to install the the water meters and MMM: Project Manager will conduct the spot checks to verify the works done by the consultants on a regular basis.	In Progress	Spot checks are conducted regularly by Project Managers
187	(Not Resolved)CAF187 (EV2) AOPO - Water and Sanitation -	KPI- Refurbishment of water supply systems: Automated	Management should review the listing submitted for audit evidence for support of the APR	Management will review the list submitted for audit evidence and meet with IDP office to discuss the	In Progress	Management and IDP office to meet on quarterly basis.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	Refurbishment of automated water meters- Listing containing duplicate transactions (non-material indicator) - (ISS.187)	meter reading and prepaid programme (USDG)- water connections metered as a percentage of total connections, it was noted that the schedule submitted for audit purposes had duplicated transactions as per water meters installed and replaced	achievements as to ensure that it agrees as per achievements reported	inconsistencies between the SDBIP & APR and will perform the necessary amendments.		
188	CAF188 (EV2) AOPO- Refurbishment of automated prepaid meters- meters not listed as replaced or installed (non-material indicator) - (ISS.188)	KPI- Refurbishment of water supply systems: Automated meter reading and prepaid programme (USDG), it was noted that the schedule submitted for audit purposes had no new meters, replaced or installed as per the achievement	Management should ensure that the listing complied for actual achievement reported of the above mentioned KPI's reflects that work performed is approved and inspected by the appropriate persons	Management will ensure that All works reported as performance has been inspected and approved by both the consultants and contractor and an inspection sheet/form is provided as proof for inspection before payments can be affected.	In Progress	All works reported as performance has been inspected and approved by both the consultants and contractor and an inspection sheet/form is provided as proof for inspection.
189	CAF189 (EV2) AOPO- Refurbishment of water supply systems: KPI - Automated meter reading and prepaid programme (USDG) and KPI -Replace water meters (Listing control deficiencies on approval of work performed.)(non-material indicators) - (ISS.189)	KPI- Refurbishment of water supply systems: Automated meter reading and prepaid programme (USDG) and KPI- Replace water meters, it was noted that the schedules do not show the approval by consultants with regard to work performed by the contractors	Management should ensure that the listing complied for actual achievement reported of the above mentioned KPI's reflects that work performed is approved and inspected by the appropriate persons	Management will ensure that All works reported as performance has been inspected and approved by both the consultants and contractor and an inspection sheet/form is provided as proof for inspection before payments can be affected.	In Progress	All works reported as performance has been inspected and approved by both the consultants and contractor and an inspection sheet/form is provided as proof for inspection.
193	(Not Resolved)CAF193 (EV2) AOPO - Waste and fleet management - KPA % of effective administration of accidents and losses of vehicles - difference between the supporting schedule and APR (non-material indicator) - (ISS.193)	Differences were noted between the total number of accidents as per the register and the list of accident claims processed. Total as per the accident register 53 and total as per the list of accident claims = 45, therefore the claim register is understated by 8 accidents	Management implement effective internal controls to ensure that the achievement reported in the APR is reconciled to the supporting documents	Management will review the submitted/reported performance for accuracy and completeness. By checking that the reported performance is supported by relevant documentation.	In Progress	0
194	CAF194 (EV2)AOPO - Circular 88 indicators not	Prescribed indicators as per Circular 88 were compared to	Management should implement effective internal controls to ensure that the SDBIP	The city to include all circular 88 as prescribed by NT	Complete	The city has included all circular 88 indicators on both

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	included in the revised SDBIP and APR - (ISS.194)	indicators as per the approved Revised Service Delivery Budget Implementation Plan (SDBIP) 2019/20 and Annual Performance Report (APR) 2019/20 and Circular 88 indicators were not included / or were included but incorrectly	and APR complies with the requirements of circular 88. And investigate the above inconsistencies identified and if management agrees with the finding management representation letter is required to explain the reasons for the inconsistencies and how this matter will be address going forward			the IDP and SDBIP for 2020/2021 as prescribed by NT
195	(Not Resolved)CAF1 95 (EV2)AOPO: KPA - Water and Sanitation - Condition Assessment and program development (Phased approach - Inconsistence between the SDBIP target as per APR and approved Revised SDBIP target (non-material indicator) - (ISS.195)	KPI Water and sanitation - KPA - Condition Assessment and program development (Phased approach, inconsistency was identified between the SDBIP target as per Approved Revised SDBIP and as the Annual Performance Report	Management should implement effective internal controls to ensure that information as per APR is consistent with information as per approved SDBIP	Management will ensure that All works reported as performance has been inspected and approved by both the consultants and contractor and an inspection sheet/form will be provided as proof for inspection before payments can be affected.	In Progress	All works reported as performance has been inspected and approved by both the consultants and contractor.
196	(Not Resolved)CAF1 96 (EV1) AOPO - Water and Sanitation - KPI- Replace water meters(Total number of water meters replaced/installed)-duplicate transactions on the (non-material indicator) - (ISS.196)	KPI - Replace water meters, it was noted that duplicates of the same installation/replacement transactions were recorded in the total listing/schedule submitted for audit purposes.	Management should review the listing submitted for audit evidence for support of the APR achievements as to ensure that it agrees as per achievements reported	Management will review the listing submitted for audit evidence and meet with IDP office to discuss the inconsistencies between the SDBIP & APR and will perform the necessary amendments.	In Progress	Management and IDP office to meet on quarterly basis.
204	(Not Resolved)CAF2 04 (EV2) AOPO - Water and Sanitation- KPA - Refurbishment of sewer system (limitation) - Callouts of complaints registers not submitted (material indicator) - (ISS.204)	It was noted the call out register was not maintained throughout the financial year under review	Management implements effective internal controls, which would assist in ensuring that requested information is submitted to the AGSA in a timely manner	The management will ensure that the call out registers are kept updated all the time	In Progress	0
205	(Partially Resolved)CAF2 05 (EV2) AOPO -Water and Sanitation - Limitation- Replace water meters(Total number of water meters replaced/installe	Some of the following items were not submitted for audit purposes: - Some job cards were not submitted. - Payment authorization certificates and	Management should ensure submission of supporting documentation when required to do so to substantiate their actual achievements reported as per the APR	Portfolio of Evidence to be submitted as part of the quarterly SDBIP reports of the Engineering Services	Not done	Consultants and contractors submit project implementation reports to management on a regular basis

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	d)- Documentation not submitted (non-material indicator) - (ISS.205)	proof of inspection of work performed by contractors was not submitted for some of the meter transactions.				
207	(Not Resolved)CAF2 07 (EV2) AOPO - Water and Sanitation - To replace water meter- Total number of water meter replaced/installed (non-material indicator) (control deficiency) - (ISS.207)	KPI - Replace water meters (Total number of water meters replaced/installed), it was noted that schedule/listing provided to substantiate the achievements as per the APR does not contain the payment certificate number for each meter replaced or installed, thus resulting in an internal control deficiency	Management should ensure that the listing submitted for audit evidence for support of the APR achievements reference the payment certificate number in order for effective and efficient tracing of the inspection of the water meters installed/replaced by the consultant	Management will ensure that the list/schedule of installed water meters has payment certificate numbers before submission to IDP.	Complete	A column of a certificate number has been included on the support list on the payment certificates.
216	ADJ(Partially Resolved) CAF216 (EV2) AOPO - Water and Sanitation: Usefulness testing - inconsistencies and measurement issues - (ISS.216)	Projects/Programmes had reported indicators/measures as per APR that are not consistent with planned indicators/measures as per SDBIP. Some of the projects/programmes had no planned and reported indicators/measures as well as no planned and reported targets	Management should prepare regular, accurate and complete performance reports that are consistent with the approved indicators and targets as approved in the revised SDBIP and reported in the APR. Management should also indicate if these changes between planned and reported indicators/measures and planned and reported targets and achievements were approved and provide the necessary proof thereof	Management will meet with IDP office to discuss the inconsistencies between the SDBIP & APR and will perform the necessary amendments.	In Progress	Management and IDP office to meet on quarterly basis.
219	(Not Resolved)CAF2 19 (EV2) AOPO- Roads and Stormwater : Usefulness testing inconsistencies identified (Non-material indicator) - (ISS.219)	A comparison was made between the planned and reported key performance targets listed in the revised SDBIP and the APR. The reported achievement is not consistent with planned and reported indicator and target	Management should prepare regular, accurate and complete performance reports that are consistent with the approved indicators and targets as approved in the SDBIP and reported in the APR. Management should also indicate if these changes between planned and reported indicators/measures and planned and reported targets and achievements were approved and provide the necessary proof thereof	In CAF 219 responses, management did report that SDBIP has a variance section where variances are reported, and under this section, the department reported that the planned 0.87 Km was not achieved instead what was achieved was termination of the contractor.	Not done	0
220	(Not Resolved)CAF2 20 (EV2) AOPO - Waste and Fleet Management	A comparison was made between the planned and reported key performance	Management should prepare regular, accurate and complete performance reports that are consistent with the approved	Management will meet with IDP office to discuss the inconsistencies between the SDBIP & APR and	In Progress	Management and IDP office to meet on quarterly basis.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	:Usefulness inconsistencies identified - (ISS.220)	targets listed in the revised SDBIP and the APR. The reported achievement is not consistent with planned and reported indicator and target	indicators and targets as approved in the SDBIP and reported in the APR. Management should also indicate if these changes between planned and reported indicators/ measures and planned and reported targets and achievements were approved and provide the necessary proof thereof	will perform the necessary amendments.		
221	(Not resolved)CAF221 (EV2) AOPO- Human Settlement : Usefulness testing - inconsistencies identified - (ISS.221)	A comparison was made between the planned and reported key performance targets listed in the revised SDBIP and the APR. The reported achievement is not consistent with planned and reported indicator and target	Management should prepare regular, accurate and complete performance reports that are consistent with the approved indicators and targets as approved in the SDBIP and reported in the APR.	The Directorate will ensure that the reports are accurate and aligned to the SDBIP targets and indicators. The targets will be simplified with measurable milestones to be covered clearly in the performance reports	In Progress	Reporting of performance from third quarter going forth is consistent with the SDBIP targets and indicators
232	Engineering CAF232 (EV2) AOPO - Water and Sanitation - Replace water meters (Total number of water meters replaced or installed)- Internal control deficiencies (non-material indicator) - (ISS.232)	KPI - Replace water meters (Total number of water meters replaced/installed), it was noted that the Mangaung Metropolitan Municipality has no controls in place to ensure the accuracy of the listing approved by the consultants approving the work performed by the contractors as the Municipality does not inspect the work performed by the consultants	Management should inspect the work performed by the consultant to ensure that the work of the consultant is accurate, valid and complete. Management should ensure that the listing submitted for audit evidence do not have gaps in information and all information is documented and complete	Improvement of quality assurance controls as part of the project monitoring cycle and contract management	In Progress	Contract monitoring procure to be strengthened to include quality assurance control and monitoring
237	(Partially Resolved)CAF237 (EV2) AOPO - Water and Sanitation : Measurability testing - (ISS.237)	A comparison was made between the planned and reported key performance indicators/ measures and planned and reported targets listed in the revised SDBIP and the APR, and it was identified that the some of the projects/programmes were Not measurable	Management should prepare regular, accurate and complete performance reports that are measurable with the approved indicators and targets as approved in the SDBIP and reported in the APR	Management will meet with IDP office to discuss the inconsistencies between the SDBIP & APR and will perform the necessary amendments.	In Progress	Management and IDP office to meet on quarterly basis.
251	(Not Resolved)CAF251 (EV2) AOPO	It was noted that the Mangaung Metropolitan	Management should inspect the work performed by the	MMM: Project Manager will conduct the spot checks to verify the	In Progress	Spot checks are conducted

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	-Water and Sanitation- Refurbishment of water supply systems: Automated Meter reading and prepaid programme (USDG) water connections metered as a percentage of total connections - Control Deficiencies (non-material indicator) - (ISS.251)	Municipality has no controls in place to ensure the accuracy of the listing approved by the consultants approving the work performed by the contractors as the Mangaung Metropolitan Municipality does not inspect the work performed by the consultants	consultant to ensure that the work of the consultant is accurate, valid and complete	works done by the consultants during site meetings.		regularly by Project Managers
256	(Not Resolved)CAF256 (EV2) AOPO-Basic service delivery : Human settlement - (non-material indicators) - (ISS.256)	KPI - Botshabelo Section L1124 installation of sewer (Number of informal settlements households with sanitation) (toilets), it was noted that the Mangaung Metropolitan Municipality has duplicate transactions in its listing for informal settlements households with sanitation. Further it was noted that the listing provided only shows the erven number therefore it cannot be determined whether the all transaction reported are for households connected with water and sewer.	a) that the listing submitted to support the achievements as per the APR does not have duplicates. (b) that the listing contains details clearly showing that households were connected with water and sewer and not just the erven number	The Directorate will mark on a map and compile a list all the erven to receive services at the start of the project and at the completion stage to ensure that there is accuracy of the numbers.	Complete	The list of Section L has been rectified with correct erven numbers. The directorate has developed a spreadsheet that will be utilised to capture the list of erven, beneficiaries (where applicable) when the project commence
Procurement and Contract Management						
81	(EV1) CAF81 (R2) Procurement and contract management - Deviations - (ISS.81)	deviations the following deviations were identified that were not included in the deviation register and were subsequently not included in the deviations disclosure note. some of the deviations identified were not reported to council as required per legislation.	adequate controls are implemented to confirm that deviations are reported to Council on a quarterly basis as required by the Municipal SCM Regulations and that the financial statements are updated with the relevant information as required	Management will ensure that adequate controls are implemented to ensure that all deviations approved are included in the SCM quarterly report and are submitted and approved by the Council and then included as a note to the annual financial statements	In Progress	This is done on a continuous basis and deviations are reported to council on a quarterly basis
82	(EV2) CAF82 (R2)Procuremen	The reason for the deviation as	Management should investigate the matters	Through procurement plan management will	In Progress	Done at a continuous basis

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
	t and contract management - Deviations (validity) - (ISS.82)	stated above does not meet the requirements of section 36(1)(a)(v) of the SCM Regulations Some of the deviations are not regarded as being valid as lack of planning does not constitute as an emergency	reported on and indicate what control measures will be implemented to ensure all the requirements relating to obtaining quotations and deviating from the approved processes are strictly controlled to ensure compliance with all relevant legislation and policies	ensure that departments are pro-active in submitting their departmental needs in line with IDP and SDBIP to avoid poor planning		
101	(EV1) CAF101 (R1)Procurement and contract management - control deficiency - (ISS.101)	Completed MDB4 form requested was not submitted. Proof that the person in service of the Metro declared the interest in accordance with the applicable legislation, being MSA schedule 2: Code of conduct for municipal staff members' sec 5(1) was not submitted	Management should indicate what internal control measures will be implemented to ensure that requested information is submitted to the AGSA in a timely manner	Management will ensure that all disclosed awards that are awarded to official's spouse are included in the notes of Annual Financial Statement	In Progress	Finalisation of this matter is done at year end
102	(EV1) CAF102 (R1)Procurement and contract management - Non-compliance VAT Act - (ISS.102)	Molefi Thoabala Inc. was identified that could not be confirmed to be registered for VAT	Management should investigate the matters reported on and submit detailed comments on issues raised.	Management will annually issue a circular informing all staff members of a Municipality whose spouse, partner, business associate or close family member, acquire or stand to acquire a direct benefit from a contract concluded with the Municipality and also disclose in writing full particulars of the benefit to Council as well as National and Provincial Treasury on contracts of more than R2 000,00 awarded to close family members of Mangaung Metropolitan Municipality employees.	In Progress	Finalisation of this matter is done at year end
127	CAF127 (R1)Procurement and contract management - Contract management - (ISS.127)	The following project information was requested for each projects, but nothing was submitted and could therefore not confirm implementation of contract performance management of service and delivery: - minutes to any (site) meetings held between the department and the supplier - name of the	management should indicate what control measures will be implemented to ensure monitoring of projects are done on a monthly basis and communication between all relevant sections (legal services (contract management section), relevant client department and finance section) are improved to ensure effective management and monitoring processes of contracts are implemented	Monthly contract management committee meetings to be held and to include project monitoring feedback and reports by Project Managers.	Not done	Contract Management committee established and functional

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		appointed project manager to the selected project - measures implemented to monitor contract performance and delivery - any additional supporting evidence that the performance of the contractor/ provider is monitored on a monthly basis - payments made relating to contract, from inception to financial year end				
134	(EV2) CAF134 (R1)Procurement and contract management - C640/F1 (Bid 523-2018/2019) - (ISS.134)	From inspection of the evaluation process it was confirmed that some of the bids were not evaluated as per the criteria included in the original bid documents, SCM policy or the relevant laws and regulations.	Management should investigate the full population to determine the full extent of the error and also ensure the disclosure to Irregular expenditure is correctly adjusted with matters reported above. Proof thereof should be submitted for audit purposes.	Management will ensure that Supply Chain Management Policy is amended to address the issue of rates and taxes in the lease agreement whereby the lessee is only paying for rental, a letter of confirmation that the municipal account of the lessee is up to date will also have to be submitted as proof.	In Progress	0
135	(EV) CAF135 (R1)Procurement and contract management - Contract management (scope limitation) - (ISS.135)	During the audit of procurement and contract management, the following contract file C604/B for Ramothello Raynard & Tsotetsi Inc. the supplier was not submitted for audit purposes	Management should submit the outstanding information for audit consideration	Management will in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting and ensure that the requested information is submitted to the audit team in 3 days as required.	In Progress	0
139	(EV1) CAF139 (R1)Procurement and contract management - Bid committee minutes (scope limitation) - (ISS.139)	The bid committee minutes of C641/A, BID530: 2019/2020 were not available during the audit process	Management should submit the outstanding information for audit consideration	Management will in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting and ensure that the requested information is submitted to the audit team in 3 days as required.	In Progress	0
140	(EV1) CAF140 (R1)Procurement and contract management - Bid evaluation, adjudication committee composition - (ISS.140)	The bid adjudication committee that was not composed in terms of Section 29(2) Municipal Supply Chain Management Regulations	Management should investigate all contracts awarded during the financial year to date, as well as contracts awarded in prior financial years, and in all instances where the Bid Adjudication	Management will ensure that Senior Supply Chain Management Practitioner is appointed in line with 29(2) Municipal Supply Chain Management Regulations (Gazette No: 27636)	In Progress	0

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		(Gazette No: 27636)	Committee was not composed in terms of the Supply Chain Management Regulations, all payments relating to these payments should be reported as irregular expenditure in the financial statements			
Receivables						
23	CAF23 (R2)Receivables non-exchange (Traffic fine receipt register incomplete) - (ISS.23)	During the audit of traffic fine payments, a sample of traffic fine payments receipts were traced to the traffic fine register, however the some of the receipts were not found	Management should ensure traffic fine receipts captured on excel spreadsheet is regularly reviewed and accurate. Management should ensure proper controls are in place over daily reconciliation of traffic fine receipts.	Traffic fines and receipts reconciliations are performed.	In Progress	The traffic fines receipts are now reconciled with the tickets on the weekly basis
240	CAF240 (R2)Prior year follow up: Receivables from exchange transactions- AC 37 not corrected - (ISS.240)	During the prior year audit of receivables, the following matter was communicated to management relating to garnishee orders, which instructed the financial institution to release funds to the respective suppliers. The auditors are therefore unable to confirm the validity and recoverability of the receivables raised	This matter should be investigated and the support to substantiate the validity and the recoverability of the debtors need to be submitted for auditing purposes. If there are no substantiating evidence in this regard, the recognition of the receivables should be derecognized.	A reconciliation between all accounts outstanding and those that were paid via Garnishee will be done to ensure that no amounts were overpaid.	In Progress	will be done at year end
243	CAF 243 - (R2)Prior year follow up: Receivables from on-exchange- (AC 219 of prior year) - (ISS.243)	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 this is due to lack of reconciliation between the court and the actual fine issued together with the payments made	Management should revisit the entire population and ensure that the matter is investigated and corrected accordingly.	The sub directorate take measures by convincing the staff meeting between the Management and Traffic officers .A list of all regular traffic fines offences and amount was compiled and submitted to each traffic officer.	Complete	List of traffic offence and the amount were compiled and put in each Traffic officer for easy reference.
Revenue						
8	(EV1) CAF8 (R2)Revenue - Follow up of prior year (traffic fines - Iss.267) - (ISS.8)	Bad debt write off was incorrectly done by management as the debt and revenue was never recognised.	Management should prioritise to correctly address the prior year material misstatement on fines revenue	The management has put measures in place to ensure that the resisters, payment received are reconciled.	Not done	The management has put measures in place to ensure that the resisters, payment received are reconciled.

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
17	(EV1) CAF17 (R2)Revenue - Follow up of prior year matter (traffic fines - Iss.167) - (ISS.17)	Differences were identified between the AFS soft copy support file and fine register.	Management should ensure adequate follow up of prior year matters and special attention should have been given to prior year audit report matters.	The management has put measures in place to ensure that the resisters, payment received are reconciled	Not done	The management has put measures in place to ensure that the resisters, payment received are reconciled
32	CAF32 (EV2) Revenue - Fines and Penalties: Insufficient controls in place over record keeping - (ISS.32)	It was also noted in the fines register that multiple fines books could not be found and were as a result written off my council. This further indicates that the control over safekeeping of records of the traffic fines is not functioning	Management should ensure that an approved fines and penalties system is implemented with sound controls to ensure the completeness of fines revenue recorded and reported in the annual financial statements.	The sub-directorate is making sure that the fines register book and the traffic register fines correspond	In Progress	The excel spread sheet has been developed to ensure that all books are recorded as per book number
77	CAF77 (EV2)Revenue: Traffic Fines: Cut-off issue identified - (ISS.77)	While testing the cut-off of traffic fines issued, It was confirmed that the following section 56 fine was recognised in the incorrect period	It is recommended that management reevaluate the traffic fines population and ensure that fines are recognised in the correct accounting period	The control measures are put in place	Not done	The cut of date is set and all traffic officers in all regions are requested to stop issuing tickets and submit all outstanding books for reconciliation.
202	CAF202 (R2)Unspent Conditional Grants: Insufficient funds to revert the unspent conditional grants. - (ISS.202)	It was found that there are insufficient funds to repay the unspent conditional grants as disclosed	Management should ensure that the conditional grants received from National Treasury or any other transferring entity are utilised for their intended purpose	The audit finding is not agreed with. The surplus on investments of unspent grants on 30 June 2020 was R72.5 million as indicated in the annexure which was provided to the auditors.	Complete	Conditional grants are invested in dedicated investment accounts and reconciled on a monthly basis to ensure that sufficient funds are available to cover the unspent grants
214	(EV1)CAF214 (R2) Revenue: Rental income straight line inconsistencies - (ISS.214)	During the testing of income from rental and facilities differences between MMM and the auditors calculations were found in the straight lining of rental income working papers	Management should ensure that the straight-line calculation is reviewed for accuracy and completeness.	A comparison was done between MMM and the AG's calculation and all items which did not agree were reconciled and fixed on the straight lining calculation.	Complete	Continuous updating of the straight lining calculation will be done on a quarterly basis.
239	CAF239 (R2)Revenue: Bulk water losses % above the norm - (ISS.239)	It was noted during our testing of service charges that a percentage bulk water loss for the 2019/20 financial year was determined by management at 34% which is above the acceptable norm of bulk water losses that should be between 15 and	Management should implement internal controls in place to ensure that they comply with Circular 71B.2 of Municipal Finance Management Act no 56 of 2003.	1.Meter unmetered sites and Replace malfunctioning meters 2. Upgrade and meter formalised stands with communal network. 3. Proactive leak detection and repairs. 4. Implement pressure management. 5. Amend water services bylaw to cater for the repair of leaks on the consumer side at indigent households. 6. Implement preventative maintenance.	In Progress	The activities are on going and reported on quarterly basis as part of the SDBIP. 340 Convention Water meters (including bulk meters) were installed/replaced in 2020/21 FY (Q3). 1791 AMR Prepaid meters were installed in 2020/21 FY (Q3). All PRVs around Mangaung Metro were

CAF No.	Finding	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Progress comments - Regarding what has been done
		30% as determined by Circular 71 of the MFMA		7. Implement Scada and telemetry system. 8. Accelerate the prepaid installation programme.		assessed/audited for refurbishment in 2020/21 FY
250	(R2)CAF250 - Revenue: Indigents application control deficiency - (ISS.250)	It was identified that the applications forms were not verified. The following application forms were not signed by the reviewer:	Management should ensure that all review and supervisory controls were applied before approving the application.	A quarterly report will be requested to be submitted to the GM: Revenue Management in order to run a spot check and verify if the application forms are signed upon review.	In Progress	A report submission will be requested from the Manager due 31/05/2021.

The Audit Committee Chairperson noted the presentation by the Chief Financial Officer on the Audit Action Plan.

Me Mdaka (Audit Committee Member) welcomed the presentation and further indicated that managements' commitment to resolve findings before the submission of the Annual Financial Statements is noted.

The Audit Committee Chairperson noted with appreciation Me Mdaka's inputs and further added that losses on water and the agreement between Centlec and the Municipality matters should be included in the Audit Action Plan.

3.4 Financial Reports

3.4.1 2020/21 4th quarter MFMA Section 52 Report (financial)

The Audit Committee Chairperson then afforded the Chief Financial Officer an opportunity to present the 2020/21 4th quarter MFMA Section 52 Report (financial).

The Chief Financial Officer presented the 2020/21 4th quarter MFMA Section 52 Report (financial) as follows;

Statement of Financial Performance

The actual year to date revenue for the period of R6 844.945 million is lower than the year to date target of R7 260.496 million and the expenditure for the period is R7 725.517million, which is higher than the year to date target of R6 796.037 million respectively.

The actual performance for the year ended 30 June 2021 (excluding capital transfers and contributions) on the operating budget can be summarised as follows:

	June 2021 Year to Date Actual	June 2021 Year to Date Budget	Variance
	R'000	R'000	R'000
Revenue by source	6 844 945	7 260 496	(415 551)
Expenditure by type	7 725 517	6 796 037	929 480
Surplus/(Deficit)	(880 572)	464 459	

The major revenue variances against the budget are:

- Property rates - Favourable variance of R1.070 million (0%) for the period due to higher property rates billed for domestic properties than budgeted. Performance is on target.
- Electricity – Unfavourable variance of -R96.672 million (-4%) for the period, due to lower user's consumption than budget. Performance is on target.
- Water revenue – Unfavourable variance of -R2.613 million (0%) for the period due to lower user's consumption than budgeted for the period. Performance is on target.
- Services charges: Sanitation revenue- Favourable variance of R1.902 million (1%) due to higher billing for sanitation services than budgeted for the period. Performance is on target.
- Services charges: Refuse revenue – Unfavourable variance -R2.829 million (-3%) due to lower households billed than budgeted and the implementation of the national lockdown period. Performance is on target.
- Services charges: Refuse revenue – Unfavourable variance -R41 487.29 million (0%) due to lower households billed than budgeted and the implementation of the national lockdown period. Performance is on target.
- Rental of facilities and equipment – Unfavourable variance of –R8.032 million (-19%) due to less use of municipal facilities than anticipated and lower collection of rental income from municipal accommodation facilities
- Interest earned – External investments - Unfavourable variance of –R4.712 million (-20%) for the period due to lower investment and cash balances than anticipated.
- Interest earned on Outstanding debtors - Unfavourable variance of -R1.012 million (0%) for the period. The interest is due to improved collection of outstanding debtors
- Fines - Unfavourable variance of –R15.063 million (-80%) is mainly due to the following:
 - Below par collections on illegal electricity collections (68.19% year to date)
 - Non-accrual of traffic fines during the year;
 - No recorded revenue to date of fines on Law Enforcement division
 - Performance is also hampered by the lack of the traffic management system and deficiencies in internal control measures.
- Licences and permits – Favourable variance R717 203.24 (365%) due to the implementation and roll out of licences and permits to SMME's and to companies for advertising
- Government Grants and subsidies – Operating: Unfavourable variance of -R274.656 million (- 27%) for the period due to a once off tranche for four months as against a monthly apportionment of the budget received for the month
- Other revenue- Unfavourable variance of -R19.521 million (-4%) – lower revenue collected for rendering of services than anticipated for the month. Performance is on target.

The major operating expenditure variances against the adjustment budget are:

- Employee related costs – Unfavourable variance of R87.691 million (4%) on the year to date adjustment budget.
- Overtime - The overspending on overtime to date is R96.184 million (Budget R86.529 million vs Actual R182.714 million). The overspending for the period to date on overtime will result in unauthorised expenditure in most of the votes.
- Debt impairment – Favourable variance -R2.723 million (0%) due to processing of accrual journals for provision of bad debts and the billing integration for the month.
- Depreciation – Unfavourable variance R617.042 million (209%) due to processing of actual depreciation on assets for the month as per the asset register.

- Finance charges – Favourable variance of –R115.139 million (-52%) due to accrual of finance charges as per agreement monthly for short term loans and half yearly for the long-term loans.
- Bulk purchases – Unfavourable variance R435.842 million (19%) due to bulk purchases for electricity that are higher than the target for the period. The settlement agreement on the Bloemwater outstanding account have an impact on the purchasing of bulk water.
- Other materials – Favourable variance -R7.234 million (-10%) underspending due to lower needs for materials and supplies by all the departments and the implementation of cost containment measures.
- Contracted services - Favourable variance of -R70.635 million (-13%) due to underspending on repairs and maintenance and other contracted services for the month and the implementation of cost containment measures.

Capital expenditure

The actual spending for the period is (R824.838 million) on the year to date budgeted target of R1 034.404 million. On an annual basis we have thus spent only 79.74% (R824.838 million) of the year to date expenditure versus the adjustment budget of R1 034.404 million.

Grant Performance to date

Grant Expenditure				
Description	Adjustment Budget 2020/21	June 2021 Actual	Balance	Percentage Spent
Neighbourhood Development Partnership Grant	4 405 000	4 405 000	-	100,00%
Public Transport Infrastructure & Systems Grant	228 849 681	186 479 419	42 370 262	81,49%
USDG Grant	513 016 213	399 107 972	113 908 241	77,80%
Integrated City Development Grant	6 450 000	3 224 242	3 148 758	49,99%
	752 720 894	593 216 633	159 427 261	78,81%

Cash Flow Statement

The CFS report for the period ending 30 June 2021 indicates a closing balance (cash and cash equivalents) of R218.159 million (31 May 2021 – R372.652 million) which comprises of the following:

- Bank balance and cash R1.110 (Mangaung) ABSA
- Bank balance and cash R26.941 million (Mangaung) NEDBANK
- Bank balance and cash R18.073 million (Centlec)
- Bank balance and cash R5.290 million (Market)
- Investment deposits R166.735 million (Mangaung)
- Investment deposits R8.935 million (Centlec)

Outstanding Debtors

The debtors balance as at 30 June 2021 is R7 158.183 million including unallocated credits of R333.267 million (31 May 2021 – R7 239.686 million including unallocated credits of R342.885 million), thus reflecting an decrease of R81.503 million (1.13%) for the month).

- **Outstanding debtors per customer group**

Business	R 1,135,111,967	(15.86%)
Government	R 1,871,527,919	(26.15%)
Domestic	R 4,151,543,262	(58.00%)

- **Outstanding debtors by income source**

Water	R2,557,400,780	(35.73%)
Electricity	R980,103,673	(13.69%)
Rates	R1,429,474,08	(19.97%)
Sanitation	R701,144,688	(9.80%)
Refuse	R298,687,187	(4.17%)
Interest	R1,086,643,830	(15.18%)
Other	R104,728,903	(1.46%)

Outstanding Creditors

The total creditors amounted to R885.609 million compared to an amount of R792.918 million in March. The increase of R92.691 million is in the items as depicted below.

	September 2020	December 2020	March 2021	June 2021
	R'000	R'000	R'000	R'000
Bulk electricity	136 574	150 910	135 122	246 969
Trade Creditors – Centlec	25 422	30 529	25 586	1 818
Bulk water	483 389	715 000	539 499	519 499
Salaries / PAYE	34 843	33 100	49 033	29 339
Pensions Deductions	46 800	-	-	50 036
Other	-	-	-	-
Trade Creditors – Mangaung	108 398	80 650	43 678	37 947
Total	835 426	1 010 190	792 918	885 609

The management of our cash flow on a daily basis

Unspent Grants vs Investments

Unspent grants vs. Investments	September 2020	December 2020	March 2021	June 2021
	R'000	R'000	R'000	R'000
Unspent conditional grants	442 369	441 564	463 897	62 686
Total unspent grants	442 369	441 564	463 897	62 686
Total investments at end of the period	497 062	462 455	481 597	166 744
Available investments covered	497 062	462 455	481 597	166 744
Shortfall/(Surplus) on investments	(54 692)	(20 891)	(17 700)	(104 058)

The Audit Committee Chairperson welcomed the very detailed presentation by the Chief Financial Officer on the 2020/21 4th quarter MFMA Section 52 Report (financial). The Committee is still concern about the expenditure on conditional grant, especially the infrastructure related expenditure. The Committee would like to see an improvement on this matter. The minimising of water loses by installing prepaid water meters is noted as this will assist the municipality in cutting its losses.

The Audit Committee Chairperson then enquired on the status of the Supply Chain Management (SCM) unit, i.e., whether a GM: SCM have been appointed and what happened to the former GM: SCM (Is he coming to work / is he working?).

The CFO responded that he would like to be put on record and indicated that he has lost control over the SCM unit. An official was placed in the GM: SCM position to act and there have been many issues. The CFO further indicated he has shared these issues and his concerns with the Acting City Manager and therefore, he cannot speak to the 2020/21 4th Quarter SCM Quarterly Report as he does not know what is going on at the SCM unit.

The CFO then indicated that the former GM: SCM is still not at work and is being paid a salary for doing no work.

The Audit Committee Chairperson noted with concern the situation at SCM as this might result in a qualification for the Municipality. The SCM unit is delegated to the CFO in terms of the MFMA and therefore the SCM function should be under the control of the CFO, entirely.

Furthermore, the Committee has raised its concerns on the former GM: SCM not working, on numerous occasions previously, as this contributes to fruitless and wasteful expenditure. The Committee resolved that if the matter of the GM: SCM is not resolved a letter should be prepared through the Committee’s secretariat, to both the Executive Mayor and the Acting City Manager, indicating the Committee’s dissatisfaction with regards to;

- The SCM function not been under the control of the CFO as per the requirements of the MFMA.
- The “former” GM: SCM not working.

3.4.2 2020/21 4th Quarter SCM Quarterly Report

As discussed under agenda item number 3.4.1 the CFO cannot lead the discussion on the document submitted as he cannot currently account for the SCM processes.

3.5 2020/21 AFS and Annual Report compilation processes

The Audit Committee Chairperson then afforded the Chief Financial Officer an opportunity to present the 2020/21 AFS compilation processes.

The Chief Financial Officer then presented the 2020/21 AFS compilation processes as follows;

No	Item/Section	% Completion	Risk areas identified
	Planning documents	78%	Outstanding information requested

No	Item/Section	% Completion	Risk areas identified
	Audit action plan		
	Statement of Financial Position		
	Assets		
	Current Assets		
1	Inventories	98%	Everything is received - Phiko is Busy with review
2	Consumer Receivables from exchange transaction	93%	On review
3	Consumer Receivables from non-exchange transactions	91%	on review
5	Other receivables - exchange and non-exchange transactions	99%	on review
4	Current portion of Centlec Receivable (Shareholders loan & Capital advances)	70%	Awaiting Centlecs inputs on the document to be taken to Council
7	Cash and cash equivalents	100%	Preparation completed. Review completed. Differences are being followed up.
	Non-Current Assets		
7	Investment property	0%	AFS Plan was sent to Asset Management Unit on 21 July 2021 and no comment has been received to date.
8	Property, plant and equipment	0%	AFS Plan was sent to Asset Management Unit on 21 July 2021 and no comment has been received to date.
9	Intangible assets	0%	AFS Plan was sent to Asset Management Unit on 21 July 2021 and no comment has been received to date.
10	Heritage assets	0%	AFS Plan was sent to Asset Management Unit on 21 July 2021 and no comment has been received to date.
11	Investments	100%	
12	Non-current receivables	88%	Done - Except for impairment
4	Centlec Receivables (Shareholders loan & Capital advances)	70%	Awaiting Centlecs inputs on the document to be taken to Council
	Total Assets		
	Liabilities		
	Current Liabilities		
5	Centlec Payables/Receivable (Intercompany loan)	70%	Awaiting Centlec's inputs on the document to be taken to Council
6	Payables from exchange trans	20%	Preparation is in progress
6	Payables from exchange trans - Unrecorded Liabilities	0%	To be completed
6	Payables from exchange trans - Retentions	30%	Preparation is in progress.
7	Payables from non-exchange transactions	100%	Done - ready for review, but BP 131 not balancing - Out by close to R3m Follow up on the new vote on the payables – Gosiamé
8	VAT payable / receivable	45%	Journals are being processed by Jannie & Gosiamé.

No	Item/Section	% Completion	Risk areas identified
9	Consumer deposits	100%	Preparation completed. Review completed. Differences are being followed up.
10	Unspent conditional grants and receipts	80%	Waiting for the payables side to be done
	Non-Current Liabilities		
11	Borrowings	85%	Theo and Mxolisi to discuss the final amortisation table
12	Finance lease obligation	0%	Assets to comment
13	Employee benefit obligation	15%	AC promised to submit information on the 04-08-2021
14	Provisions	0%	Assets to comment
15	Freshco Liability	100%	Done
16	Land Availability Liability	15%	Having a meeting with Kentha at 04-08-2021
	Total Liabilities		
	Net Assets		
	Reserves		
17	Revaluation reserve	70%	Assets to comment
18	Insurance reserve	70%	waiting on expenditure to be done with their capturing before i could prepare the accumulated surp journal
19	COID reserve	70%	
20	Accumulated Surplus	80%	Awaiting prior period tracking
	Statement of Financial Performance		
	<u>Revenue</u>		
21	Fines	80%	Completeness testing for fines is completed- the team is busy with the capturing of payments received.
22	Government grants & subsidies	80%	awaiting for the payables to be finalised
24	Finance income	100%	
25	Public Contributions and Donations	0%	Follow up with Gosiame - will be finalised with assets as most donations are assets based
26	Other income	97%	to update leads on a regular basis to confirm accuracy
27	Property rates	100%	Preparation and Review completed.
28	Rental of facilities and equipment - Income	100%	Done - have to confirm 1 contract with Legal and update AFS disclosure
29	Service charges	100%	Preparation completed, review in progress
	Total revenue		
	<u>Expenditure</u>		
30	Employee related costs	90%	The reconciliation between Solar and Payday has not been done for the entire year. The AG had raised the matter and it was followed up in the Audit action plan. On March a reconciliation was attempted by the accounting and reporting division and a difference of R40m was identified and reported to Salaries. As at year end no explanation or proper details of the reconciling items have been provided by payroll.

No	Item/Section	% Completion	Risk areas identified
30	Employee related costs - Top management disclosure	100%	
30	Employee related costs - Leave Provision	0%	
30	Employee related costs - Bonus Provision	94%	Journals for provision to be finalised and processed after review
31	Employee related costs - PayDay Reconciliation	82%	Payroll Monthly recons are done for the 12 Months and only Control account recon is outstanding (John Provided training for the monthly recon and the department was able to perform these recons but there was not enough time to provide training due to the delayed AFS submission. To be done when finalising payables
31	Remuneration of councillors	100%	Preparation is completed. Review is in progress
32	Depreciation, Amortisation & Asset Impairment	0%	Unbundled projects still need to be depreciated. See PPE above
33	Finance costs	80%	Theo and Mxolisi to discuss the final amortisation table - Also affected by the DBO information
34	Rental of facilities and equipment - Expenditure	100%	
35	Bad debts and provision for bad debts	88%	impairment still to be calculated for some of the services
36	Repairs and maintenance	80%	Classification testing is in progress. Testing additional items identified on the GL at 28 July 2021.
37	Bulk purchases	98%	Preparing prior accruals to be reversed
38	Contracted services	50%	Testing of Classification issues by the accounting team
39	Grants and subsidies paid	80%	
40	General expenses	24%	Testing of Classification issues by the accounting team
41	Gain on fair value adjustments on assets		
42	Profit / Loss on disposal of assets		
43	Actuarial gain/(loss) on defined benefit plan obligation		AC promised to submit information on the 04-08-2021
44	Gain on disposal of non-current assets		
	Other disclosures		
45	Commitments	29%	During the calculation of the capital commitments, it was identified that some of the contracts were overpaid. There is also an issue that was identified on the Solar system where the system no longer prevents overpayments where amounts paid exceed the original contract amount. The matter was communicated to BCX but the problem still exists.
46	Budget Comparison	41%	
47	Appropriation statement	50%	
48	Contingent Liabilities	30%	to reconcile information received from Legal services, Housing loan guarantee disclosure is done.

No	Item/Section	% Completion	Risk areas identified
49	Related parties	50%	Awaiting Centlec meeting with the CM and Centlec
50	Accounting policies	50%	To be done by the person sitting on Caseware
51	Prior period errors - Tracking	0%	Done as and when changes occur most errors are on assets.
52	Changes in accounting policies	50%	
53	Financial Instruments	50%	
54	Risk Management	50%	
55	Going Concern	0%	
56	Contribution to local	100%	Preparation completed
57	Audit fees	100%	Preparation completed. Review is completed.
58	PAYE, UIF and SDL	100%	Preparation and Review completed
59	Pension and medical	100%	Preparation completed
60	Bulk water losses	0%	
61	Appendix A	60%	Theo and Mxolisi to discuss the final amortisation table
62	Appendix B	100%	
64	Appendix C	30%	
65	Appendix D 1	30%	
66	Appendix D 2	30%	
68	Appendix D3	30%	
68	Appendix D4	30%	
68	Appendix D5	30%	
69	Appendix D6	30%	
72	Cash flow	0%	
76	Deviations	100%	Preparation completed.
77	Irregular expenditure	60%	The process of identifying contracts that were extended or overpaid above 15% without council approval is still ongoing. The irregular expenditure dates to years back and as such the AFS team is trying by all means to identify all these contracts dating back to 2012. hence the process is still ongoing.
78	Interest in Suppliers	0%	
79	Unauthorised expenditure	0%	
80	Fruitless and wasteful expenditure	85%	
81	AFS Review	0%	
82	Consolidation of AFS between Centlec and MMM	0%	
	Communication		
	Communicate the AFS Plan with Finance GMT	60%	
	Incorporate feedback from GMT into the plan	60%	
	Communicate the AFS Plan with Executive Management Team	60%	
	Incorporate feedback from EMT into the plan	60%	

The Audit Committee Chairperson welcomed the presentation by the CFO on the 2020/21 AFS compilation processes.

Me Mdaka (Audit Committee Chairperson) also welcomed the presentation and further indicated that appears that the Municipality is on the right track and will meet the deadline of submission of the Annual Financial Statements to AGSA.

The Audit Committee Chairperson concurred with Me Mdaka and further indicated that Finance should remember to provide Internal Audit sufficient time to review the Annual Financial Statements.

3.6 2020/21 4th quarter SDBIP Progress Report

The Audit Committee Chairperson then afforded the Acting DED: Operations an opportunity to present the 2020/21 4th quarter SDBIP Progress Report.

The Acting DED: Operations presented the 2020/21 4th quarter SDBIP Progress Report as follows;

Executive Summary of Report

This report sets out performance against the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for the 4th quarter period of 2020/2021 financial year, i.e., 01 April to 30 June 2021. Performance is accounted for, based on the delivery of projects and/or services in the IDP and SDBIP for which the Mangaung Council is responsible for implementing.

The SDBIP for 2020/2021 had identified 231 projects/programmes and during the final adjustment in June, the plan had 252 projects/programmes to have been implemented by the city

The process of developing this performance report followed the MFMA as indicated in Section 52 (d). The city had a schedule that was approved by council and that the departments needed to adhere to with the submission of their reports, supported by their Portfolio of Evidence (see the table below) and authenticity letter signed by the Head of the Department. This schedule was to provide the office responsible for IDP and PMS to complete the report for submission to all council committees have the report approved by council within 30 days. It should however be noted that not all the departments had submitted their reports on time to enable the IDP and PM office to complete the compilation of the report on time.

The 4th quarter had 252 projects and services were identified for implementation and the performance of the City was as follows:

- (6%) 15 of the projects had outstanding performance;
- (4%) 9 of the projects and/services have performed significantly, exceeding expectations on its performance;
- (30%) 75 of the targeted projects and/or services were met;
- (20%) 51 of projects and/or services have performed below expectation, but progress was already being made in this regard; and
- (33%) 84 of projects indicate unsatisfactory level of performance and;
- (7%) 18 of Projects to be rolled over to the next quarter.

Corrective measures and/or action plans have been developed for those indicators, targets, projects and/or services where performance is lower than anticipated and not fully effective.

Conclusion

Mangaung Indicators

The performance in the fourth quarter report shows that the Council is progressing at (40%) (99 – projects/services) with reference to optimal functionality and effectiveness of user departments performing outstandingly, significantly exceed and fully effective on the set targets. Furthermore, (20%) (51 – projects/ services) shows that user department have performed below expectation – with progress being made. There is a worrying performance in relation to (33%) (84 – projects/services) that registered unsatisfactory performance, and further (7%) (18 – projects to be rolled over to the next quarter of the new financial year

Circular 88 Indicators

The performance in the fourth quarter report shows that the Council is progressing at (46%) (17 – projects/services) with reference to optimal functionality and effectiveness of user departments performing outstandingly, significantly exceed and fully effective on the set targets. Furthermore, (26%) (10 – projects/ services) shows that user department have performed below expectation – with progress being made. There is a worrying performance in relation to (14%) (5 – projects/services) that registered unsatisfactory performance, and further (14%) (5 – projects to be rolled over to the next quarter of the new financial year.

The Audit Committee Chairperson welcomed the presentation by the Acting DED: Operations on the 2020/21 4th Quarter SDBIP Progress Report and enquired on the progress of the IPTN project thus far.

The Acting DED: Operations responded that all contractors and sub-contractors are on site and that the IPTN project is at an advanced stage in terms of construction, as follows;

MMM IPTN Construction projects Status – June 2021						
	Fort Hare Part A	Fort Hare Part B	Moshoeshoe street Part A	Moshoeshoe street Part B	Chief Moroka Crescent	Bus Depot Civil Works
Construction progress	87%	82%	63%	52%	95%	70%
% Expenditure	75%	67%	76%	49%	86%	70%
Contractual Completion Date	20 Aug 2021	20 Aug 2021	23 Sept 2021	20 Aug 2021	30 Jun 2021	30 June 2021
Estimated Completion	30 Sept 2021	30 Sept 2021	30 Sept 2021	30 Nov 2021	30 Aug 2021	30 Sept 2021

Challenges faced at Moshoeshoe street part B are due to labour issues and late payment of workers on the part of the sub-contractors.

The Audit Committee Chairperson noted with appreciation the feedback from the Acting DED: Operations.

3.7 2020/21 4th Quarter Internal Audit Progress Report

The Audit Committee Chairperson then afforded the Manager: Specialised and Performance Audit Services an opportunity to present the 2020/21 4th Quarter Internal Audit Progress Report.

The Manager: Specialised and Performance Audit Services presented the 2020/21 4th Quarter Internal Audit Progress Report as follows;

Executive Summary Report

We report that eight (8) audit assignments scheduled for quarter four were completed together with two (2) audit assignments carried over from Q3. During this quarter, ten (10) internal audit reports were issued to management. Out of the ten (10) reports issued, one (1) was finalised with management comments incorporated and nine (9) reports are still to be finalised as we are still pursuing management to provide responses to these reports.

Other Internal Audit Reports finalised between quarter 3 and 4 that have not yet served before the Audit Committee;

- Internal Audit report number 07/2020-21: Debt Collection Report
- Internal Audit report number 11/2020-21: Implementation and monitoring of Council resolutions Report
- Internal Audit report number 14/2020-21: Traffic and law enforcement audit Report
- Internal Audit report number 17/2020-21: Audit of trade waste removal Report
- Internal Audit report number 24/2020-21: Audit of cash management Report

Training and Development

As part Internal Audit training and development programme, officials of the Unit attended training courses, conferences, forums, seminars and workshops as follows

- Mr G Ntsala, Mr L Rampai, Ms A Schmidt, Ms F Moeng, Ms K Tshabalala, Ms P Leepile, Ms N Makwaba and Ms V Mohlahle, attended a workshop on Unauthorised, irregular fruitless and wasteful expenditure hosted by SALGA on 20 April 2021
- Ms A Schmidt and Ms F Moeng attended a webinar on Managing Performance Information under the theme "Towards a performance-driven culture" hosted by City of Tshwane on 22 June 2021
- Mr N Tekane attended a workshop hosted by Legal Services on 21 June 2021 with the topics; draft procurement bill, draft municipal system amendment bill, MSCOA systems reforms Circulars and invalidity of the PPPFA Regulations of 2017 (recent High Court Case).

Challenges

Resources Limitations

The Unit staff is still disadvantaged with resources to work from home/ remotely. However, the internal audit staff are making efforts to ensure that service delivery is not negatively affected by using their own resources like data and airtime. It is the appeal of Internal Audit to management to allocate resources to internal audit staff as per the submission made to the City Manager to enable them to work remotely during this time of Covid-19 and beyond to improve efficiency.

Covid-19 infections

The work of internal auditors is reliant on the availability of auditees. If auditee staff is not available due to covid-19 infections, this affects the completion of internal audit assignments

within the scheduled times. This risk is has materialized already as on a number of occasions, internal auditors had to wait for officials who were not available to provide information for auditing due to covid-19 infections or isolations as a result of direct contact with people who have tested positive for covid-19. Internal auditors are also not immune to this risk.

Delays in responding to Internal Audit Reports

The delays in responding to internal audit reports is still a challenge that management still need to address. As indicated above under point 5, about five internal audit reports for audit assignments completed between quarter 1 and quarter 3 were only finalized in quarter 4 due to the delays in responding to internal audit reports by management.

Conclusion

This report is submitted to the Committee for discussion and approval in accordance with the requirements of section 165(2)(b) of the Municipal Finance Management Act.

The Audit Committee Chairperson noted the presentation by the Manager: Specialised and Performance Audit Services and afforded members and opportunity to engage on the report.

Me Mdaka (Audit Committee Member) noted with concern that many Internal Audit Reports are still draft and therefore enquired whether Internal Audit are still within the timeline to finalise these draft reports. Furthermore, what are the real reasons why management are not coming forth to ensure that these reports are finalised.

The Manager: Specialised and Performance Audit Services responded that Internal Audit had an opportunity to engage with EMT on a high level with regards to outstanding management comments / responses and subsequently additional comments / responses were provided. Quality reviews were performed on the comments / responses to ensure that the root causes for findings raised are addressed.

The Audit Committee Chairperson then noted with concern that when responses are not provided intime, it disadvantages the Committee to engage on time and therefore renders the Committee ineffective. Reports should be finalised and if Management is not adhering to requests, the Committee resolve that the Secretariat should write a letter to the Accounting Officer on this matter.

3.8 2021/22 Audit Committee Schedule of Meetings

The Audit Committee Chairperson then afforded the Manager: Specialised and Performance Audit Services an opportunity to present the 2021/22 Audit Committee Schedule of Meetings.

The Manager: Specialised and Performance Audit Services presented the 2021/22 Audit Committee Schedule of Meetings as follows;

No.	Meeting No.	Date	Purpose of meeting	Legal Requirement
1.	01-2021/22	13 Augustus 2021 (Friday)	Approve the following documents;	MFMA Sec 166(2)and(4) Audit Committee Charter

No.	Meeting No.	Date	Purpose of meeting	Legal Requirement
			<ul style="list-style-type: none"> • Audit Committee Schedule of meetings for 2021/22 financial year; • Audit Committee Charter (Revised) • Internal Audit Charter (Revised) • 2021/22 Internal Audit Plan Review the Municipality's Financial and Non-financial Performance Reports for Quarter 04 of 2020/21 Consider Q4 Internal Audit Reports Consider Q4 Risk Management Reports	
2.	02-2021/22	30 August 2021 (Monday)	Review the 2020/21 annual financial statements and annual performance report for the Municipality	MFMA Sec 166(2) Audit Committee Charter
3.	03-2021/22	27 October 2021 (Wednesday)	Review the Municipality's Financial and Non-financial Performance Reports for Quarter 01 of 2021/22 Consider Q1 Internal Audit Reports Consider Q1 Risk Management Reports	MFMA Sec 166(2) Audit Committee Charter
4.	04-2021/22	29 November 2021 (Monday)	Discuss MMM 2020/21 AG's Audit Report with AG	MFMA 166(2) Audit Committee Charter
5.	05-2021/22	26 January 2022 (Wednesday)	Discuss MMM 2020/21 Annual Report before it gets tabled in Council by the Mayor Review MMM Section 72 Report (Mid-Year Report) Consider Q2 Internal Audit Reports Consider Q2 Risk Management Reports	MFMA 166(2) Audit Committee Charter
6.	06-2021/22	25 April 2022 (Monday)	Review the Municipality's Financial and Non-financial Performance Reports for Quarter 03 of 2021/22 Consider Q3 Internal Audit Reports Consider Q3 Risk Management Reports	MFMA 166(2) Audit Committee Charter
7.	07-2021/22	29 June 2022 (Wednesday)	Consider Q4 Internal Audit Reports Consider Q4 Risk Management Reports Approval of Internal Audit plan for 2022/23	MFMA Sec 166(2) Audit Committee Charter

The Audit Committee Chairperson indicated that Mondays and Wednesdays are a challenge for him as he has commitments on those days however, the Committee will request for postponement on days that does not suit members.

Me Mdaka (Audit Committee Member) concurred with the Chairperson and suggested that the schedule can be adopted with no additions. The Committee will request for postponement where members are unable to attend, or meetings can be held in the afternoons.

The Committee then resolved to adopt the 2021/22 Audit Committee Schedule of Meetings with no additions.

3.9 2021 Charters

3.9.1 2021 Internal Audit Charter

The Audit Committee Chairperson then afforded the Manager: Specialised and Performance Audit Services an opportunity to present the 2021 Internal Audit Charter.

The Manager: Specialised and Performance Audit Services indicated that the Internal Audit Charter is presented to the Audit Committee for approval with no changes since the previous approval by the Committee, as the content of the charter is still applicable and up-to-date.

The Committee accepted and adopted the 2021 Internal Audit Charter.

3.9.2 2021 Audit Committee Charter

The Audit Committee Chairperson then afforded the Manager: Specialised and Performance Audit Services an opportunity to present the 2021 Audit Committee Charter.

The Manager: Specialised and Performance Audit Services indicated that the Internal Audit Charter is presented to the Audit Committee for approval with no changes since the previous approval by the Committee, as the content of the charter is still applicable and up-to-date.

The Committee accepted and adopted the 2021 Audit Committee Charter.

3.10 2021/22 Internal Audit Plan

The Audit Committee Chairperson then afforded the Manager: Specialised and Performance Audit Services an opportunity to present the 2021/22 Internal Audit Plan.

The Manager: Specialised and Performance Audit Services presented the 2021/22 Internal Audit Plan, highlighting the following areas;

Risk Based Audit Plan

The 2021/22 Internal Audit Plan is risk based in terms of the requirements of Section 165(2)(a) of the Municipal Finance Management Act 56 of 2003. The 2020/21 Risk Register, which is currently under review, was used for compiling a risk based internal audit plan. In addition, the Unit also used its reports for 2020/21 and findings of Auditor-General to identify further risk areas.

Furthermore, the plan is also linked to the eight (8) key focal areas of the Status of Records Review that will be conducted biannually by Auditor-General.

The following potential risks identified during 2021/21 financial year may still impact negatively on the 2021/22 Internal Audit Plan;

Covid-19 infections

The work of internal auditors is reliant on the availability of auditees. If auditee staff is not available due to covid-19 infections, this may affect the completion of internal audit assignments. Internal auditors are also not immune to this risk.

Inadequate facilities to allow social distancing measures

If the Employer facilities are not adequate to allow social distancing, this may also negatively affect the completion of the internal audit plan, as social distancing should be maintained at all times during this period.

Inadequate Personal Protective Equipment (PPEs) to manage COVID 19

The provision of PPEs is the responsibility of the Employer during the lockdown period in terms of the Covid-19 Regulations. If officials are not provided with PPEs for their protection, they may not feel obliged to report for duty to ensure that the Municipality work continues, internal auditors included as well.

Inadequate ICT equipment and Resources

The use of ICT equipment is a requirement during this period. Officials should be issued with ICT equipment to ensure that they are able to perform their tasks remotely in ensuring social distancing, internal auditors included. If internal auditors are not issued with the required ICT equipment, this will negatively affect the completion of the 2021/22 Internal Audit Plan.

It is important for both Management and the Audit Committee to take note of the above-mentioned potential risk that may have a negative impact on the completion of the 2021/22 Internal Audit Plan.

Management should put measures in place to ensure that these risks are adequately managed in a situation where they materialize.

Internal Audit activities to be performed during the 2021/22 financial year are categorised as follows;

Finance Directorate

- Review of 2020/21 Annual Financial Statements (Q1)
- Supply Chain Management (Procurement and Contracts Management) (Q3)
- Expenditure Management and creditors payment (Q3)
- Billing (including journals)(Q3)
- Debt Management (including debt collection companies)(Q3)
- Cash management (direct deposits, 3rd party payments, clearing of unallocated deposits (journals)) (Q3)
- Unauthorised, irregular, fruitless and wasteful expenditure (prevent/ identification/ recording/ reporting)(Q3)
- Grants (Q3)

Social Services

- Traffic and law enforcement (Q2)

Fleet and Waste Management

- Fleet Management (Q2)

Regulatory Audits

- Audit of loss control in line with section 165(2)(VI) of MFMA (loss, theft, damage to immovable assets, movable assets, inventory and money and the reporting thereof) (Q2)

Service Delivery Audits

- Institutional Performance/ Service Delivery (Quarterly SDBIP Reports) (Q1, 2,3 &4)
- Extended Public Works Projects and Reporting (EPWP) (Q2)

Corporate Services

- Payroll (including overtime) (Q3)
- Appointments, promotions and terminations of service (Q4)
- Leave administration (Q4)
- Facilities management (including OHS compliance, buildings, procurement, issuing and safekeeping of inventory (cleaning material))(Q4)

Planning

- Building Control (Q4)
- Outdoor Advertising (Q4)
- Municipal Planning Tribunal (consideration land development and land use applications) (Q2)

Human Settlements

- Rental and Social Housing (Q4)
- FRESHCO (Q3)

Information and Communication Technology Audit

- ICT Controls Review (Q3)

Quarterly Reviews

- Audit Action Plan Implementation (Q1,2,3 &4)
- MFMA Compliance Checklist (Q2 & 4)
- Risk Management (Q2&4)

Office of The City Manager

- Council burials (Q1)
- Council Resolutions (Q3)

The Audit Committee Chairperson noted the presentation by the Manager: Specialised and Performance Audit Services and afforded members and opportunity to engage on the plan.

Me Mdaka (Audit Committee Member) then enquired as to how are Internal Audit operating around the situation of not having sufficient resources (data and airtime).

The Audit Committee Chairperson added to Me Mdaka's enquiry and requested whether Internal Audit has taken into account the time needed to finalise all the draft Internal Audit Reports from the previous financial year.

The Manager: Specialised and Performance Audit Services responded that currently most internal auditors are funding their remote working out of their own pockets to ensure that the risk of exposure to covid 19 is mitigated.

The first quarter of the financial year has the least audit projects than other quarters, to allow for projects from the previous financial year to be finalised.

The Committee accepted the response and adopted the 2021/22 Internal Audit Plan.

4. GENERAL

None

5. CLOSURE

The Audit Committee Chairperson then extended his gratitude to all for the presentation that were prepared as there is improvement in terms of attending to the Audit Action Plan as well as the implementation of recommendations made by the Committee. Management is urged to maintain the efforts and commitments provided thus far.

Date of next meeting:	To be announced
Time:	To be determined
Venue:	To be determined

Approval of minutes



.....Godfrey Makutsi.....
Name of the Chairperson