

MANGAUNG METROPOLITAN MUNICIPALITY

AUDIT COMMITTEE ORDINARY MEETING MINUTES NO. 04/2021-22/74 HELD ON MICROSOFT TEAMS (VIRTUAL)

Date: 27 October 2021

Time: 09h00

1. OPENING

1.1 Welcome

The Acting Audit Committee Chairperson welcomed all attendees.

1.2 Attendance and apologies

The following members were in attendance;

Audit Committee members:

- Me. PME Kaota (Acting Audit Committee Chairperson)
- Me. TPM Lebenya (Audit Committee Member)
- Me. NP Mdaka (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. I Kgamanyane (Executive Head: Mangaung Metro Police)
- Mr. D Nkaiseng (HOD: Corporate Services)
- Mr. B Comakae (Acting DED: Operations)
- Me. M Mototo (Chief Risk Officer)
- Mr. GA Ntsala (GM: Internal Audit (CAE))
- Mr. M Mothekhe (GM: IDP and Organisational Performance)
- Me. T Matthews (Manager: Internal Audit)
- Mr. A Jenkinson (Acting Chief Technology Officer (CTO))
- Mr. L Bam (Acting Manager: Infrastructure)
- Me. F Moeng (Scriber)

- Me. A Schmidt (Scriber)

Auditor General:

- Me. S Steenbok (Senior Manager: AGSA)
- Mr. V Motubatsi (Manager: AGSA)

National Treasury:

- Mr. T Selemale (Accounting and Auditing Advisor (National Treasury))
- Me. K Thoka (Deputy Director: Internal Audit (National Treasury))

Apologies received from:

- Mr. MNG Mahlatsi (Audit Committee Chairperson)
- Mr. L Pita (Manager: IDP)

The Acting City Manager requested to be excused from the meeting in a few minutes as he has another urgent work commitment to attend to.

The Acting Audit Committee Chairperson noted the Acting City Manager's request to be released during the meeting to attend to other urgent work 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 the agenda with the following changes;

- Item 3.2 of the agenda will not be deliberated on as risk management report is not yet available.

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

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

The Acting City Manager stated the Municipality met with National Treasury to discuss the establishment of the Mangaung Metro Police matter/issue, which will tomorrow be discussed further in the Warroom with National Treasury. Abnormalities were identified with the recruitment processes, as well as issues relating to finances, which will be addressed by the Municipality, to prevent overspending on the allocated budget. The Municipality remains committed to rescue the implementation of the Metro Police unit via a cleaner process, though it might not happen within the near future.

The Acting Audit Committee Chairperson noted the briefing by the Acting City Manager and further requested the City Manager to keep the Committee abreast on progress on the Metro Police matter.

The HOD Corporate Services then added that AGSA has also been briefed on the Mangaung Metro Police matter and has subsequently issued a request for information to the Municipality.

The Acting Audit Committee Chairperson noted the HOD Corporate Services comments.

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

2.1 Minutes of meeting 13 August 2021

The Audit Committee resolved to approve the minutes.

2.2 Minutes of meeting 30 August 2021

The Audit Committee resolved to approve the minutes.

2.3 Minutes of meeting 22 September 2021

The Audit Committee resolved to approve the minutes.

2.4 List of matters arising/resolutions

The Acting Audit Committee Chairperson then afforded Me Schmid the Manager: Specialised and Performance Audit Services an opportunity to present matters arising/resolutions not yet resolved and those partially resolved, and management to provide feedback, 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 GM Internal Audit clarified that only the General Manager and Managers has airtime allowance. Internal Audit official below Manager level do not have these allowances.

The CFO indicated that ICT had been engaged to ensure 3g is made available as provision has been made in budget.

The Acting Audit Committee then requested the CFO to provide a timeline to address this matter and further requested management to indicate whether employees are still working from home during the current Covid 19 lockdown level 1.

The Manager: Specialised and Performance Audit Services then further clarified that Internal Audit Staff also need data and airtime when working remotely from other municipality premises with no wifi or network connections. Furthermore, printing facilities are not available which delays auditing process.

The CFO indicated a service provider was appointed for the supply of laptops and Internal Audit will be prioritised to ensure by end of November 2021 this matter is resolved. The current Vodacom contract will be utilised to ensure 3g are made available to Internal Audit.

The Acting Audit Committee Chairperson noted the CFO's committed to ensure that laptops and 3g are made available to Internal Audit by end of November 2021.

The GM Internal Audit (CAE) extended his gratitude to the CFO for the commitment to ensure Internal Audit are provided with the necessary resource, as this will enhance efficiency within the Internal Audit unit. The GM: Internal Audit further clarified that all Internal Audit staff have been issued with laptops, therefore only 3g needs to be provided.

- **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 requested to report progress on this matter in the next meeting as there has been a number of changes in Council. The current term of the Committee will be taken into account to ensure proper terms of references are compiled.

The Acting Audit Committee Chairperson then noted with concern that matters are being resolved by management at a very slow pace and therefore urged management to ensure this matter is resolved as matter of urgency.

- **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 performance assessments for Quarter 1 of this financial year (2021/22) will possibly be performed by November 2021.

The Audit Committee Chairperson welcomed the feedback and further indicated that dates for performance assessments to be conducted should be proposed to the Acting City Manager and HODs and these dates should be communicated to the Committee in its next meeting.

The HOD Economic and Rural Development then indicated that no performance assessments have been performed as well for the past financial year (2020/21) and therefore, suggested that performance assessments for the 2020/21 financial year should be conducted to prevent unnecessary audit queries.

The Acting Audit Committee Chairperson agreed with HOD Economic and Rural development that in addition to the 2021/22 Quarter 1 performance assessments, the 2020/21 annual performance assessment should be concluded and further requested the Acting DED: Operations to ensure the Acting City Manager is provided with actions to ensure performance assessments are executed.

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

The CFO indicated service providers have been appointed during Quarter 1 of the 2020/21 financial year to assist with ICT governance related issues. A draft report had been received from the service providers on this matter. Further details will be provided by the HOD Corporate Services on this matter.

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

The CFO indicated that work is currently been done by the Intervention Team on the investigation of UIFW expenditures. A report is expected by Quarter 2 of this financial year (2021/22) which will be availed to the Committee. A 3-year plan have been developed on how the Municipality is going to reduce UIFW expenditure with clear time frames. This plan can be shared with the Committee at its next meeting.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) then informed the Committee that National Treasury had issued a letter to the Municipality to invoke Section 216 (2) of the Constitution as no action plan was in place to reduce high numbers of UIFW expenditures. The Municipality apparently responded to National Treasury and submitted documentations, which included the UIFW Expenditure Registers and the Reduction Action Plan. Mr Selemale further stated Mr Wayne McComans (National Treasury) had requested him to communicate to the Committee that responses from the Municipality is currently been evaluated and that that the Municipality should address this matter urgently as the UIFW numbers are quite high. Furthermore, some of the information provided by the Municipality is very limited in terms of information and scope.

The CFO responded that the Municipality's main focus is to eliminate non-cash items such as depreciations and debt impairment. Irregular expenditures due to the incorrect composition of the Bid Adjudication Committee are been prioritised to ensure irregular expenditure numbers are reduced in future. The Municipality is committed to reduce irregular expenditures and would appreciate the assistance of MPAC in this regard.

The Acting Audit Committee Chairperson then indicated that MPAC will assist if the reports are very clear and further urged management to correct the composition of the Bid Adjudication Committee.

The GM: Internal Audit (CAE) then requested on behalf of the Committee if the letter from National Treasury regarding the UIFW expenditure can be shared with the Committee, including the responses by the Municipality (i.e., the UIFW Reduction Plan amongst others).

The Acting Audit Committee Chairperson then requested the Acting City Manager and CFO to further update the Committee on a regular basis on this matter.

- **Resolution no. 34:** ICT Status Report. 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 CFO requested to report progress on this matter in the next Audit Committee meeting as the CTO position has not yet been filled.

The Acting Audit Committee Chairperson urged management to ensure all critical positions are filled as a matter of urgency.

- **Resolution no. 2:** List of matters arising/resolutions 2020/21 - The Committee resolved that the Municipality should 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.

The CFO indicated a request was made to the Engineering Service directorate for installation of bulk water meters to ensure water losses are measured. The CFO requested this matter to be deferred to the next Audit Committee meeting as the HOD Engineering Services is not currently in the meeting to respond on this matter.

The Acting Audit Committee Chairperson then urged management again resolve the Committee resolutions with urgency. Furthermore, the Committee secretariat should add a column on the list of resolution that indicates the number of times a resolution has served before the Committee, without been resolved.

- **Resolution no. 5.2:** Audit Action Plan - The Committee resolved that losses on water be included in the Audit Action Plan

The CFO indicated that water losses is part of the Audit Action Plan.

The Acting Audit Committee Chairperson then requested the HOD Engineering Services to respond on this matter as well.

The CFO indicated that the HOD Engineering is not currently in meeting but was present in the meeting earlier.

The Acting Audit Committee Chairperson then expressed concern regarding the absents of some HOD's during the Committee's meetings to respond on questions by the Committee and, therefore urged the Acting City Manager to ensure management attend Audit Committee meetings.

- **Resolution no. 5.3:** Audit Action Plan - The Committee resolved that progress on the implementation of the agreement between Centlec and the Municipality be included in the Audit Action Plan.

The CFO indicated that progress on the implementation of the agreement between Centlec and the Municipality is not yet part of the Audit Action Plan. The Audit Action Plan will be updated to reflect this matter.

The Acting Audit Committee Chairperson again expressed with concern that the Committee resolutions are been resolved at a very slow pace.

- **Resolution no. 6.2:** Financial Reports (2020/21 4th quarter MFMA Section 52 Report) - 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.

The CFO confirmed that the GM: SCM was reinstated at the SCM unit and **is** performing his duties. The CFO also confirmed that control over the SCM function is now back under his control.

The Acting Audit Committee Chairperson noted that this matter has been resolved.

- **Resolution no. 10.2:** 2020/21 4th Quarter Internal Audit Progress Report - The Committee resolved that outstanding management comments on 2020/21 Internal Audit reports should be submitted to finalise draft reports.

The Manager: Specialised and Performance Services indicated that comments were received from management, however some of the comment's did not address root causes for findings raised. Therefore, management are currently been engaged to ensure comments addresses root causes for findings raised as well.

The Acting Audit Committee Chairperson then recommend that Internal Audit should present findings and management comments which does not address the root causes for findings raised to management at its next EMT meeting for deliberations. Progress on resolving this matter should be reported to the Committee at its next meeting.

- **Resolution no. 10.2:** Report of Internal Audit on the review of the draft 2020/21 Annual Performance Report - The Audit Committee resolved that Management should investigate/benchmark the appropriate size and composition of the IDP and Performance Management Unit to ensure that from planning to reporting, sufficient staff is available to drive and monitor the processes.

The Acting DED: Operations informed the Committee that a benchmark exercise was done, and a positive response was received from The Nelson Mandela Bay and eThekweni Metro Municipality's. A report is currently being finalised which will be shared with the Acting City Manager and EMT. The final report will also be submitted to the Committee for deliberation at its next meeting.

The GM: IDP and Organisational Performance further added that the benching marking exercise was done virtually with the Nelson Mandela Bay Metro Municipality and physically at the eThekweni Metro Municipality. Some of the observations are that in terms of personnel, eThekweni has 12 officials dealing with IDP related matters whereas Mangaung only has 2 officials (i.e., the GM and Manager).eThekweni has a geographical system in the very same unit, which Mangaung lacks in the IDP unit. Furthermore, in terms of performance management related matters, eThekweni has 18 officials, whereas Mangaung only has 2 officials (i.e., again, the GM and Manager).

The Acting Audit Committee Chairperson noted progress on this matter and encourage management to benchmark all other areas within the Municipality to ensure operations are improved.

3. ITEMS FOR DISCUSSION

3.1 ICT Status Report

The Acting Audit Committee Chairperson then afforded the Acting CTO an opportunity to present the ICT Status Report, as follows;

The Acting CTO stated to Committee that there is hope for the ICT environment as service providers have been appointment to assist the ICT unit to resolve ICT related issues. Some of

the challenges the unit is faced with is lack of human resources , which includes the critical position of the Chief Technology Officer (CTO). Several Managers have been acting in the position of the CTO on a rotational basis every 3 months, which creates chaos and instability within the unit.

The Acting CTO then presented the ICT Status Report as follows;

CAF No.	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Reasons as to why No progress has been made to date
General IT controls					
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	CTO and HOD Corporate Services need to engage the City Manager to intervene and emphasize the importance of conducting ICT Steering Committee meetings as per Terms of Reference	The Policy is at Council for Approval	Council APPROVED the ICT Security Policy on 15 September 2021. – All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.
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 ICT Security Policy needs to be approved by Council. This policy will outline the patch management procedure on how patches need to be adequately deployed within MMM	The Policy is at Council for Approval	Council APPROVED the ICT USER ACCESS MANAGEMENT & PASSWORD CONTROL Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.
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.	The consequence management plan should be developed by the Executive Office	A consequence Management Plan has been developed and will serve at Steering Committee and Emt	No progress yet, but we need to ensure we comply with the POPI act. The file is currently a flat file and not encrypted when sent to the bank. The approved ICT user access management and password control policy would also assist in addressing this concern and finding of the Auditor-General.

CAF No.	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Reasons as to why No progress has been made to date
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.	ICT has engaged the User Directorate to provide details of the system developers (FreshMark) so as to provide login credentials and access control in the system	System Integration in Progress	Council APPROVED the ICT USER ACCESS MANAGEMENT & PASSWORD CONTROL Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.
72	System generated logs of all changes implemented on applications (Payday, Solar, HR Focus, SAMS, Route master 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.	ICT has engaged the User Directorate to provide details of the system developers (FreshMark) so as to provide login credentials and access control in the system	In Progress	Council APPROVED the ICT USER ACCESS MANAGEMENT & PASSWORD CONTROL Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.
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.	A Server Room Policy needs to be developed and submitted for approval. The policy will outline procedures that will take place when access is requested.	In Progress	The development of Server Room Access Procedure Manual is taking place with assistance of ICT Governance Service Providers
74	The system-generated list of users whose access rights were changed or modified on the Route Master system was not provided for audit purposes.	Management should expedite the process of filing 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.	List of critical vacant positions needs to finalize and submitted to ensure that the recruitment process is expedited. Also, the user access management policy has been submitted for approval	Budget has been done and recruitment and approval of User Access Management Policy are in progress at council level	Council APPROVED the ICT USER ACCESS MANAGEMENT & PASSWORD CONTROL Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.

CAF No.	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Reasons as to why No progress has been made to date
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.	The consequence management plan should be developed by the Executive Office	In Progress	Council APPROVED the ICT USER ACCESS MANAGEMENT & PASSWORD CONTROL Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.
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;	The ICT Steering Committee needs to finalize its recommendations of the draft Backup and Disaster Recovery Design and Configuration Manual	In Progress	Service Provider appointed for TENDER MMM/BID531(A): 2019/2021 - SPECIFIC PROJECT: EVALUATION, DEVELOPMENT, DRAFTING AND SIGNING OFF OF DISASTER RECOVERY PLAN AND BUSINESS CONTINUITY AND PROCESSES FOR ICT [Phase 1 Environmental Scan Complete. Phase 2 Data Verification 95% Complete. Phase 3: Submit findings and Reports (Start on 1 November 2021)]
83	A backup log for the success/failure of backups performed for financial systems (Solar, Route Master, 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.	A backup server has been procured to ensure that backups are done efficiently. There are challenges with the secondary data centre, due to lack of electrical facilities.	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	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.	The User Access Management Policy has been presented to the ICT Steering Committee and was further recommended.	In Progress	Council APPROVED the ICT USER ACCESS MANAGEMENT & PASSWORD CONTROL Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.

CAF No.	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Reasons as to why No progress has been made to date
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.	The consequence management plan should be developed by the Executive Office	in Progress	Council APPROVED the ICT USER ACCESS MANAGEMENT & PASSWORD CONTROL Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.
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.	Executive management needs to ensure that all ICT related services are centralised within ICT Sub-Directorate for audit compliance purposes	Done	POE of SUPPLY CHAIN MANAGEMENT Policy stipulating ALL SYSTEMS to be CENTRALISED in the ICT Sub-Directorate for procurement, maintenance, support, backups etc.
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.	The ICT Security Policy needs to be approved by Council. This policy will outline the patch management procedure on how patches need to be adequately deployed within MMM	In Progress	Council APPROVED the ICT Security Policy on 15 September 2021. All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.
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.	ICT will draft a Bring Your Own device policy and present it to the ICT Steering Committee	In Progress	BYOD - BRING YOUR OWN DEVICE POLICY in DRAFT & also All ICT Policies currently under final review with the Service Provider. Next steps: ICT Steering Committee must convene and report / recommend new updates to City Manager for approval and implementation.

CAF No.	Details of finding	Proposed action by AG	Detailed action to be done by the Directorate in order to address the finding	Progress stage	Reasons as to why No progress has been made to date
255	the FTP Server to download payment files from the Third parties such as Easypay 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.	ICT will ensure that the payment files will be stored in an encrypted server with adequate authentication have to develop a system that is inline	In Progress	Management is in discussion with the ICT security provider on the best way possible to encrypt payment files
261	Evidence of software license agreements for the some of the applications identified on the intangible asset register were not provided	Management keep a record of contracts or copy of licenses for programs currently in use	Copies of all contract are kept at Legal Service Contract Management	In Progress	This System is with FINANCE, THEY have CONTROL the Service Provider and this PRE-PAID System. ICT are not involved in any manner with UTILITIES WORLD

The Action Audit Committee Chairperson noted with appreciation the presentation by the Action CTO on the ICT Status Report and enquired from the Acting CTO the following;

- (a) When will other ICT related policies be finalised and submitted to Council for approval and what type of support is needed in this regard?

The Acting CTO indicated that it is dependent on the sitting of the ICT Steering Committee to deliberate and approve policies for submission to Council.

- (b) Provide more details of the developed the Consequence Management Plan

The Acting CTO indicated that the Consequence Management Plan will be applied if any employee does not comply with any ICT related standard operating procedures or policies.

- (c) Is there an active ICT Steering Committee if not, what needs to happen to ensure that this committee is established and function? (Composition as well)

The Acting CTO confirmed that an ICT Steering Committee do exist. Executive Management are members of the Committee, however the Committee do not sit on a regular basis to ensure that ICT related issues are deliberated on.

- (d) When will the Server Room Access Procedure Manual be finalised and will this manual assist the Municipality to prevent another server failure? And who is developing the manual.

The Acting CTO responded that a register is currently been utilised to capture details of persons / service providers visiting the server room and reasons for the visit and; a senior ICT official must accompany visitors. Consequence management will be enforced if this register is not completed.

- (e) What are the ICT processes that needs to be developed and implemented, including capacity building within the unit and appointment of services providers.

The sitting of the ICT Steering Committee will assist in driving processes of ICT forward. The Senior Management of the municipality will then be able to make informed decisions on ICT related issues, from what capacity is needed to what software should be procured, taking the municipality forward as a whole.

Mr. Selemale (Accounting and Auditing Advisor (National Treasury)) enquired whether a skills audit was conducted within the ICT unit, if not, is it possible to conduct a skills audit. Mr Selemale then advised the Municipality to perform a benchmarking exercise with other similar size municipalities which will assist the ICT unit and the enquired whether Internal Audit have a report in relation to all these ICT issues.

The Acting Audit Committee Chairperson then stated that even though Internal Audit do not have an IT Auditor, AGSA trust the work of Internal Audit, which means that Mangaung has one of the best Internal Audit units that is very effective and helpful, however management resist to change and do the right things.

The Chairperson further appreciated the responses from the Acting CTO and further encouraged the Acting CTO remain hopeful as management is committing to improve.

Me Lebenya (Audit Committee Member) then stated the Committee expects an improved progress report on ICT related issues at its next meeting.

3.2 Risk Management Report

The item was deferred to the Next meeting due to the report not yet been available.

3.3 Audit Action Plan (Management and Internal Audit assessment)

The Audit Committee Chairperson then afforded the CFO an opportunity to present Audit Action Plan.

The CFO stated that final updates has not yet been done on the Audit Action Plan as inputs from some directorates are still outstanding and therefore, the plan has not yet served before EMT for deliberations.

The Action Audit Committee Chairperson then enquired as to why the Audit Action Plan was submitted to the Committee whiles the plan has not served before EMT.

The CFO responded that this Audit Action Plan was not supposed be submitted to the Committee and further indicated that he is not sure who submitted the plan to the Committee's secretariat for submission to the Committee.

The Acting Audit Committee Chairperson then enquired form the Committee's Secretariat whether management had requested the plan to be withdrawn.

The GM: Internal Audit (CAE) responded that reports are requested from management and are packaged upon receipt and issued to the Committee as part of the agenda items. In this case, there was no indication from management that the report should be withdrawn.

The Manager: Specialized and Performances Services further indicated that the Audit Action Plan was received from the office of the CFO and no further indication was provided that the plan has not yet been finalised / updated.

The Acting Audit Committee Chairperson then enquired from management and the CFO, why the Audit Action Plan has not yet been finalised.

The HOD: Economic and Rural Development responded that the Audit Action Plan is the responsibility of all EMT members and not only that of the CFO. The HOD then continued making reference to Internal Audits Report on the review of the Audit Action Plan and stated the GM: Internal Audit should have indicated who did not respond with management comments. The HOD further indicated that the GM Internal Audit should present the report to the Committee and not the CFO.

Me Mdaka (Audit Committee Member) agrees with HOD: Economic and Rural Development that the report is not only the responsibility of the CFO and therefore other EMT members should also respond on this matter.

The Acting Audit Committee Chairperson then explained that from the comments of the HOD: Economic and Rural Developments, the understanding is that the GM: Internal Audit is the best suitable person to present the report, as the report is collated by the Internal Audit unit (i.e., the total report which Internal Audit has compiled and audit). The Chairperson then enquired who is supposed to present the report.

The GM: Internal Audit (CAE) clarified that the coordination of the Audit Action Plan, in terms of drafting and sourcing of inputs from management, is driven by the office the CFO, under the sub-directorate Accounting and Compliance. Hence, every time during the Committee's meeting the CFO is the one presenting. This process should be a team presentation between Finance and Internal Audit as Internal Audit is encouraged to work closely with the Accounting and Compliance unit. However, usually the CFO present the Audit Action Plan and thereafter Internal Audit would present findings on the review of the Audit Action Plan and, that is why Me Schmidt indicated earlier that Internal Audit do have a report on the review of the Audit Action Plan, which will be presented after the CFO has presented the Audit Action Plan. The GM then indicated he would like to correct the HOD Economic and Rural Development, the Office of the CFO is responsible for the coordination of responses from management to populate the Audit Action plan and not Internal Audit.

The CFO then indicated that the current Audit Action Plan is the same Audit Action Plan that was presented to the Committee at its previous ordinary meeting. The CFO further indicated that no progress has been recorded; hence he requested earlier that this Audit Action Plan should be withdrawn. The CFO further indicated there was a miscommunication between his office, Internal Audit and the Accounting and Compliance unit.

The Acting Audit Committee Chairperson noted with concern that an updated Audit Action Plan is not available for the Committee to deliberate on. The CFO is urged to ensure that the

Accounting and Compliance unit perform their duties in this regard. The Committee therefore resolved to withdraw the Audit Action Plan as the plan has not been updated.

The Senior Manager: AGSA then concurred with the chairperson that it seems that important things are left for last or even not been done at all. Of concern is that the Municipality is sitting with an Audit Action Plan from the previous financial year's (2019/20) audit, which has not yet been addressed at this stage. This will not reflect good for the Municipality at the next audit.

The Acting Audit Committee Chairperson noted the inputs from the Senior Manager: AGSA.

The GM: Internal Audit then indicated that Internal Audit is ready to present findings on the review of the audit action plan.

The Acting Audit Committee Chairperson indicated that it will not be worthwhile to present the findings as the Audit Action Plan has not been updated.

Me Mdaka (Audit Committee Members) agreed with the Chairperson.

3.4 Financial Reports

3.4.1 2021/22 1st Quarter MFMA Section 52 Report (financial)

The Acting Audit Committee Chairperson then afforded the CFO an opportunity to present the 2021/22 1st Quarter MFMA Section 52 Report (financial).

The CFO presented the 2021/22 1st Quarter MFMA Section 52 Report (financial), highlighting the following areas;

Statement of Financial Performance (SFP)

The total revenue excludes capital transfers and contributions, and expenditure is by type. The actual year-to-date revenue for the period of R1 563.746 million is lower than the year-to date target of R2 018.400 million and the expenditure for the period is R1 792.003 million, which is lower than the year-to-date target of R1 862.712 million respectively.

The major revenue variances against the budget are:

- Property rates - Unfavourable variance of -R25.282 million (-7%) for the period due to lower property rates billed for domestic properties than budgeted.
- Electricity – Unfavourable variance of -R500.554 million (-63%) for the period, due to journal inputs from CENTLEC erroneously swapped for this quarter which had a negative impact on the service charges.
- Water revenue – Unfavourable variance of -R30.404 million (-11%) for the period due to lower user's consumption than budgeted for the period, including water losses and illegal water connections.
- Services charges: Sanitation revenue- Unfavourable variance of -R4.034 million (-4%) due to lower billing for sanitation services than budgeted for the period.
- Services charges: Refuse revenue – Unfavourable variance -R2.111 million (-5%) due to lower households billed than budgeted and the implementation of the national lockdown period.

- Rental of facilities and equipment – Favourable variance of R3.169 million (56%) due to higher use of municipal facilities than anticipated and higher collection of rental income from municipal accommodation facilities.
- Interest earned – External investments - Unfavourable variance of –R2.440 million (-49%) for the period due to lower investment and cash balances than anticipated.
- Interest earned on Outstanding debtors - Unfavourable variance of -R38.237 million (-62%) due to journal inputs from CENTLEC erroneously swapped for this quarter which had a negative impact on the interest on outstanding debtors.
- Fines - Unfavourable variance of –R3.621 million (-56%) is mainly due to the following:
 - journal inputs from CENTLEC erroneously swapped for this quarter which had a negative impact on the fines for this quarter.
 - Non-accrual of traffic fines for the period;
 - 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.

The major operating expenditure variances against the approved budget are:

Overtime

The overspending on overtime to date is -R21.629 million (Budget R19.245 million vs Actual R40.874 million). The overspending for the period to date on overtime will result in unauthorised expenditure in most of the votes.

Outsourced Services

The actual spend on outsourced services within the contracted services overspend by - R920 110.86 (-3.69%)

Consultant Services

The actual spend on consultant services within the contracted services under-spend by R15 297 million (36.04%)

Contracted Services

The actual spend on contracted services within the contracted services underspend by R50 216 million (64.41%)

Capital expenditure report

The actual spending for the period is R140.044 million (45.88%) on the year-to-date budgeted target of R305.252 million. On an annual basis we have thus spent only R140.044 million (11.47%) of the year to-date expenditure versus the approved budget of R1 221.006 million.

Cash Flow Statement (CFS)

The CFS report for the period ending 30 September 2021 indicates a closing balance (cash and cash equivalents) of R187.606 million (30 June 2021 – R218.159 million) which comprises of the following:

- Bank balance and cash R3.783 million (Mangaung) ABSA
- Bank balance and cash R22.200 million (Mangaung) NEDBANK
- Bank balance and cash R30.769 million (Centlec)

- Bank balance and cash R5.228 million (Market)
- Investment deposits R125.618 million (Mangaung)
- Investment deposits R7.672 thousand (Centlec)

Cash flows from operating activities category:

- Property rates, penalties & collection charges reflect a year-to-date amount of R353.922 million, resulting in an R28.521 million (9%) favourable variances, as compared to a year target of R325.401 million.
- Service charges reflect a year-to-date amount cash collection of R1 170.024 million, resulting in an -R86.005 million (-7%) unfavourable variance, as compared to a year target of R1 256.029 million.
- Other revenue reflects a year-to-date amount of R449.702 million, resulting in an R295.532 million (192%) favourable variances, as compared to a year target of R154.170 million.
- Operating grants and subsidies show a year-to-date receipted amount of R467.208 million compared to a year-to-date target of R231.329 million resulting in R235.879 million (102%) favourable variances. (Variance due to grant receipt apportionment quarterly vs quarterly budget);
- Capital grants and subsidies show a year-to-date amount of R239.412 million compared to a year-to-date target of R641.893 million resulting in -R402.481 million (-63%) unfavourable variance due to grant receipt apportionment quarterly vs quarterly budget)
- Interest shows a year-to-date amount of R11.960 million compared to a year target of R4.941 million, indicating R7.019 million (142%) favourable variances.

With regards to payments:

- Suppliers and employee payments indicate a year-to-date amount of –R2 513.811 million (R874.459 million unfavourable variance) compared to a year-to-date target of - R1 639.352 million mainly due to accrued creditors at the end June 2021, paid in July.
- Capital payments indicate a year-to-date amount of -R140.044 million (-R165.208 million favourable variance) compared to a target of -R305.251 million due to the slow uptake of capex projects during the first quarter of the year.
- Finance charges shows a year-to-date amount of –R25.654 million compared to a year target of –R49.735 million, resulting in a favourable variance of R24.081 million.
- Transfers and grants indicate a year-to-date amount of R0 million (R707 435.01 Unfavourable variance) compared to a target of -R707 435.01
- Repayment of borrowing indicates a year-to-date amount of –R36.633 (R3.753 million favourable variance) compared to a target of R32.881 million due to the repayment of borrowings due.

Outstanding Debtors Report

The debtors balance as at 30 September 2021 is R7 573.713 million including unallocated credits of R358.298 million (30 June 2021 – R7 158.183 million including unallocated credits of R333.267 million), thus reflecting an decrease of R415.530 million (5.49%) for the quarter.

Debtors by Customer Group - 30 September 2021

Domestic;	R4 382 458 883;	57,86%
Government;	R1 897 097 139;	25,05%

Business; R1 294 157 372; 17,09%

Debtors by Income Source - 30 September 2021

Water; R2 687 620 334; 35,49%
 Elec; R1 068 641 658; 14,11%
 Rates; R1 493 690 336; 19,72%
 Sanitation; R737 871 591; 9,74%
 Refuse; R313 559 009; 4,14%
 Interest; R1 141 631 201; 15,07%
 Other; R130 699 265; 1,73%

Outstanding Creditors Report

The total creditors amounted to R681.090 million compared to an amount of R885.609 million in June. The decrease of R204.519 million is in the items as depicted below.

	June 2021 R'000	September 2021 R'000
Bulk electricity	246 969	137 457
Trade Creditors – Centlec	1 818	47 156
Bulk water	519 499	389 499
Salaries / PAY	29 339	5 908
Pensions Deductions	50 036	49 974
Other - -	-	-
Trade Creditors – Mangaung	37 947	51 095
	885 609	681 090

Unspent Grants vs Investments

The coverage on unspent conditional grants for the three quarters ending September 2021 can be observed from the table below. The surplus for the year is mainly due to the higher investment levels as at 30 September 2021. Finance is currently in the process of reconciling VAT on conditional grants and National Treasury has been consulted regarding proper treatment of VAT on conditional grants.

	June 2021 R'000	September 2021 R'000
Unspent conditional grants	62 686	109 763
Total unspent grants	62 686	109 763
Total investments at end of the period	166 744	125 626
Available investments covered	166 744	125 626
Shortfall/(Surplus) on investments	-104 058	-15 843

The Committee noted 2021/22 1st Quarter MFMA Section 52 Report (financial).

3.4.2 2021/22 1st Quarter SCM Quarterly Report

The Acting Audit Committee Chairperson then afforded the CFO an opportunity to present the 2021/22 1st Quarter SCM Quarterly Report.

The CFO presented 2021/22 1st Quarter SCM Quarterly Report, highlighting the following areas;

Bids Advertised during the Months July, August and September 2021;

July 2021	August 2021	September 2021
7	0	27

Awarded Bids for procurement above R200 000 during months July, August and September 2021

July 2021	August 2021	September 2021
3	1	0

Advertised written formal quotations for procurement between R30 000 – R200 000 during the months of July, August and September 2021.

July 2021	August 2021	September 2021
1	6	4

Awarded written formal quotations for procurement between R30 000 – R200 000 during the months of July, August and September 2021.

July 2021	August 2021	September 2021
2	0	9

Approved Panel System Procurement during the Month of July, August and September 2021.

July 2021	August 2021	September 2021
2	9	25

Procurement of Goods and services through Section 15.8.3 of SCM Policy from July, August and September 2021; (Fleet related maintenance and services)

July 2021	August 2021	September 2021
0	0	27

Procurement of Goods and Services through 15.8.3 Of Supply Chain Management Policy from July- September 2021 - Logistics Management (Indigent burials)

July 2021	August 2021	September 2021
26	27	43

Deviations from normal SCM Procurement processes during the month of July, August and September 2021

July 2021	August 2021	September 2021

6	5	1
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Monthly Stock Taking Values are follows;

- July 2021: R4 621 269.27
- August 2021: R4 954 956.57
- September 2021: R4 742 708.91

The Acting Audit Committee Chairperson noted the 2021/22 1st Quarter SCM Quarterly Report.

Mr Selemale (Accounting and Auditing Advisor (National Treasury)) then requested the CFO to indicated whether anything happened during the quarter 1 in terms of Regulation 32.

The CFO responded that the Municipality has taken a stance not to take on any regulation 32 transactions due to the nature and changes on the procurement requirements.

The Acting Audit Committee Chairperson then recommended that a standard statement should be reflected in SCM reports that no Regulation 32 procurement transactions were processed.

Mr Selemale (Accounting and Auditing Advisor (National Treasury)) concurred with chairperson and further indicated that the Municipality should during the year detect and disclose any irregular expenditures, as a result of deviations or any other transaction and not wait for the Auditor to identify these irregular expenditures at year end.

The Acting Audit Committee Chairperson concurred with Mr Selemale that the Municipality should detect and disclose these UIFW expenditures during the year.

3.5 2021/22 1st Quarter SDBIP Progress Report

The Acting Audit Committee Chairperson then afforded the Acting DED: Operations an opportunity to present the 2021/22 1st Quarter SDBIP Progress Report.

The Acting DED: Operations presented 2021/22 1st Quarter SDBIP Progress Report, highlighting the following areas;

Executive Summary

The SDBIP for 2021/2022 has identified 290 projects/programmes that will be implemented by the city. Furthermore, the city will be reporting on the Circular 88 as legislated by the National Treasury.

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 the departments needed to adhere to with the submission of their reports and Portfolio of Evidence (see the table below). This was to enable the office responsible for IDP and PMS to complete the report and submit to all council committees on time and subsequently be approved by council within 30 days.

Report Overview

The Council's progress in delivering the projects and/or services identified in the Service Delivery and Budget Implementation Plan for 2021/2022.

The Council's achievement against targets that can be measured on a quarterly, mid-year or an annual basis at this point in time.

Intervention mechanisms or correction actions for lower than expected and/or unsatisfactory/unacceptable performance have been identified and will be implemented by the Executive Management Team in the next quarter (Oct – Dec 2021).

At high level, the City Manager continues to implement some critical interventions to drive improvement in financial performance, projects and service delivery.

City's Performance Overview

The 1st quarter had 290 projects and services identified for implementation and the performance was as follows:

Summary of Projects/Services for the 1st Quarter (01 July – 30 September 2021)

Level	%Score	Terminology	Total	%
5	130%+	Outstanding Performance	11	3
4	101% - 130%	Performance Significantly Exceeds Expectations	13	5
3	100%	Target Met	92	32
2	50 – 99%	Performance Below Expectation – <i>with progress being made</i>	44	15
1	0 – 49%	Unsatisfactory Performance	90	31
		Projects not yet due and to be rolled over to the next quarter	40	14
Total			290	100

Conclusion

Mangaung Indicators

The performance in the first quarter report shows that the Council is progressing at (40%) 116 – projects/services with reference to optimal functionality and effectiveness of user departments performing outstandingly, significantly exceed and fully effective on the set targets. Furthermore, (15%) 44 – projects/ services shows that user department have performed below expectation – with progress being made. There is a worrying performance in relation to (31%) 90 – projects/services that registered unsatisfactory performance, and further (14%) 40 – projects to be rolled over to the next quarter.

Circular 88 Indicators

The performance in the first quarter report shows that the Council is progressing at (25%) 14 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% 11 – projects/ services-shows that user department have performed below expectation – with progress being made. There is a worrying performance in relation to (32%) 18 – projects/services that registered unsatisfactory performance, and further (23%) 13 – projects to be rolled over to the next quarter.

The Acting Audit Committee Chairperson noted the report and afforded members an opportunity to engage on the 2021/22 1st Quarter SDBIP Progress Report.

Me Lebenya (Audit Committee Member) appreciated the Quarter 1 SDBIP Report and enquired whether the report contains a template that indicates reasons why some departments did not perform well and what the remedial actions are.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) appreciated the Quarter 1 SDBIP Report as well and enquired whether issues raised (e.g., debt collection amongst others) by the CFO during the presentation of the 2021/22 1st Quarter MFMA Section 52 Report (financial) have been covered in the SDBIP Report under programmes / projects for the Finance department.

The Acting DED: Operations responded that the first part of the report summarises the performance per the departments in terms of 5 categories of performance. The Annexure of the SDBIP Report which starts on page 13 until 162 provides details of programmes / projects (i.e., the targets and actual performances for each programme/project/ KPI, as well as corrective actions where targets have not been met).

The Acting DED: Operations further indicate that issues as raised by the CFO earlier, such as to debt collection, implementation of valuation rolls, improvement on SCM process, are included under Finance programmes / projects of the SDBIP Report.

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

3.6 2021/22 1st Quarter Internal Audit Progress Report

The Acting Audit Committee Chairperson then afforded the GM: Internal Audit (CAE) an opportunity to present the 2021/22 1st Quarter Internal Audit Progress Report.

The GM: Internal Audit (CAE) presented the 2021/22 1st Quarter Internal Audit Progress Report, highlighting the following areas;

Executive Summary Report

We report that four (4) audit assignments scheduled for quarter one was completed. During this quarter, six (6) internal audit reports were issued to management. Out of the six (6) reports issued, three (3) was finalised and three (3) reports are still to be finalised as we are still pursuing management to provide responses to these reports.

Other Internal Audit Reports of 2020/21 finalised that have not yet served before the Audit Committee

The following internal audit reports relating to the 2020/21 Internal Audit Plan were finalised during the 1st quarter of 2021/22 (current financial year). These reports are also submitted to the Audit Committee for information and discussion.

- Internal Audit report number 06/2020-21: Audit of Performance Information - 2020/2021 SDBIP/IDP and Performance Agreements for Municipal Manager and Section 56 Employees)
- Internal Audit report number 10/2020-21: Facilities Maintenance Audit
- Internal Audit report number 16/2020-21: Audit of Performance Information: 1st Quarter SDBIP Progress Report 2020/21
- Internal Audit report number 23/2020-21: Audit of Performance Information – 2nd Quarter and Mid-Year 2020/21 SDBIP Progress Reports
- Internal Audit report number 27/2020-21: MFMA Compliance Checklist - Q3 of 2020-2021
- Internal Audit report number 31/2020-21: Audit of Performance Information Q3 SDBIP 2020-21
- Internal Audit report number 35/2020-21: Building Control
- Internal Audit report number 36/2020-21: Rental and Social Housing

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 T Matthews and Ms F Moeng attended a virtual knowledge sharing session on “Internal Audit and Forensics: Exploring IA work and contributions to Forensics” hosted by the Office of the Accountant General – Internal Audit Support on 17 September 2021.
- Ms G Sutil, Ms P Leepile, Ms K Tshabalala, Ms V Mohlahle, Ms N Makwaba and Mr N Tekane attended a webinar on Rebuilding Ethical Integrity in Key Institutions after State Capture as part of the TEI Ethical Leadership Symposium 2021 hosted by the hosted by The Ethics Institute on 17 September 2021

Challenges

Resources Limitations

The Unit staff is still disadvantaged with resources to work 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.

Recommendations

It is recommended that the Committee to; (i) Discuss and resolve on the 1st Quarter Internal Audit Report together with submitted final internal audit reports.

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 Acting Audit Committee Chairperson noted the 2021/22 1st Quarter Internal Audit Progress Report and afforded member an opportunity to engage;

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) enquired whether Internal Audit performs audits around internal controls pertaining to UIFW as the Municipality is risking equitable share been withhold as there is no action regarding UIFW expenditures reductions.

The GM: Internal Audit (CAE) responded that as part of Internal Audit's annual plan, audit reviews are been performed around UIFW expenditure internal controls. UIFW emanates from procurement processes, creditors and payments processes amongst others. All these areas are being audited by Internal Audit to check controls from a detective and preventative point of view. Internal Audit will share Internal Audit Reports in this regard with the colleagues from National Treasury as requested

As part of the review of the Audit Action Plan, Internal Audit also follow-up on individual findings as raised by AGSA, to check where unauthorised expenditures were identified. Internal Audit would then recommend to management that these expenditures should be subjected to MFMA Section 32 processes.

Me Mdaka (Audit Committee Members) further indicated that reports pertaining to UIFW were received by the disciplinary board however, these reports were referred back as these reports were not within the mandate of the disciplinary board. Me Mdaka further indicated that roles and responsibilities of MPAC and different role players pertaining to UIFW expenditures needs to be clarified.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) noted the challenges as expressed by Me Mdaka and further indicated that National Treasury is currently busy providing training elsewhere on UIFW expenditures to clarify roles and responsibilities of different role players, as this is a challenge all over the country whereby MPAC and the Disciplinary Boards overlap responsibilities.

Mr Selemale further indicated that he will engage with his colleague Mr Wayne McComans (National Treasury) to determine how best National Treasury can assist the Municipality in addressing this issue.

The Acting Audit Committee Chairperson then requested Mr Selemale to share his contact details, as well as those of Mr McComans (National Treasury) for further engagements and assistance on this matter.

3.7 Council resolution on Audit Committee Reports submitted to Council

The Audit Committee Chairperson then afforded the GM: Internal Audit (CAE) an opportunity to present Council resolution on Audit Committee Reports submitted to Council.

The GM: Internal Audit (CAE) stated that 3 reports from the Audit Committee were submitted to Council. The GM then presented the Council Resolution of 1 of the 3 reports on Acting Appointments and Allowances and Temporary Appointments, as follows;

Council resolved;

- That all appointments that has continued for a period of more than six months should be terminated with immediate effect
- That where there are compelling reasons to consider acting appointments in a position, written motivation should be submitted to the Executive Mayor by the City Manager for concurrences
- That all cases mentioned under 3.2 to 3.5 of the report, should be subjected to a forensic investigation and outcome of this investigation be submitted to the Audit Committee for further handling processing prior to submitting a final report to Council in this regard
- That all temporary appointments on extension should be terminated immediately
- That critical positions (i.e., those the Municipality cannot function without and if not filled, service delivery will be negatively hampered) should be filled with competent, experienced and qualified people including the position of GM: Human Resources after the following due processes of appointment.
- That the position of General Manager Strategic Support in the HOD's Offices and the Municipal Manager's Office should be abolished and replaced with Office Managers at a Manager's level. It is the view of the Committee that the Municipality can function effectively and efficiently without these positions as it has been the case since the inception of the Metro and prior.
- The position of Senior Secretaries be phased out with immediate effect and remain with secretary positions as the Municipality can function effectively and efficiently without these Senior Secretary positions. Where there are permanent appointments on these positions, suitable placement of these officials should be affected considering their qualifications, experience and expertise.

The GM: Internal Audit (CAE) further advised the Committee to follow-up with management on the implementation of these resolutions above and this matter should remain a standing agenda item on the Committee meetings until all these resolutions have been resolved as per Council resolutions. The resolutions were submitted to the Acting City Manager upon receipt by Internal Audit for further processing.

The GM Internal Audit (CAE) then advised the Committee to take note of Councils Resolutions and, the Committee should request the Acting City Manager to provide a report to the Committee at its next meeting on how these Council Resolutions will be Implemented with clear timeframes.

The HOD Corporate Services confirmed that some of the resolutions have been implemented and further indicated that the Committee should take note that the GM: Human Resources Management position is already filled, and therefore enquired what the Committee's intention was when this recommendation was crafted.

The HOD: Economic and Rural Development then indicated that honesty is important if management wants to get this Municipality on the right path. The reason why the GM: Internal

Audit have raised this Council Resolution to the Committee is because management have not implemented these resolutions of Council pursuant with the Committee's report and further confirmed, that these Council resolutions have never been discussed at EMT. The HOD then requested the Committee to allow them (management) some time to develop a clear plan as to how these Council resolutions will be implemented.

The Acting Audit Committee Chairperson noted the HOD Economic and Rural Development's honesty on this matter. The Chairperson further expressed with concern that resolutions taken by Council, are not been implemented by management as a matter of urgency. Furthermore, Internal Audit have on numerous occasions reported to management that a huge number of officials are not needed by the Municipality.

The Committee resolved that the Acting City Manager should urgently develop a plan / report on how these Council resolutions on Acting Appointments and Allowances and Temporary Appointments will be implemented and feedback should be provided to the Committee at its next meeting.

The Audit Committee Chairperson then enquired from the GM: Internal Audit whether Council has a resolution list.

The GM: Internal Audit confirmed that Council do have resolution list which are kept by the Committee Services unit.

The Acting Audit Committee Chairperson then enquired whether the Council resolution list serves before Council on a quarterly basis and whether Council take resolution on the non-implementation of resolutions.

The GM: Internal Audit responded that there are no control mechanisms in place to ensure regular feedback is provided to Council on the implementation of Council resolutions. The GM further indicated that Internal Audit has issued a report to management in this regard which will be shared with the Committee.

The Acting Audit Committee Chairperson noted the GM: Internal Audit's commitment to submit the Internal Audit Report on the Implementation of Council Resolution for deliberation.

The Acting Audit Committee Chairperson further indicated that the Committee shall report to Council in its next Audit Committee Report to Council, based on the Council resolutions implementation status, which departments are performing satisfactorily, and which departments are not performing satisfactorily.

4. GENERAL

None

5. CLOSURE

The Acting Audit Committee Chairperson stated that all remarks and inputs made in this meeting should not be taken personal, it is purely for the sake of Mangaung to rise and shine. The

Committee would like to encourage management to make remarkable inputs, actioning and implementation to improve the City.

The Acting Audit Committee Chairperson then closed the meeting at 14:01.

Approval of minutes



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Name of the Chairperson