

Internal Audit Unit

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29 June 2022

The Speaker of Council
Council of the Mangaung Metropolitan Municipality
Att. Cllr. Stefani Lockman
7th Floor, Bram Fischer Building
Cnr. Nelson Mandela and Markgraaf Street
Bloemfontein
9300

RE: AUDIT COMMITTEE REPORT FOR QUARTERS 3 AND 4 OF 2021/22 TO COUNCIL


Dear Honourable Speaker

The Audit Committee is submitting its report to the Council of Mangaung Metropolitan Municipality in terms of MFMA Section 166(2) read together with Regulation 14(4)(a)(iii) of the Local Government Municipal Planning and Performance Management Regulations of 2001.

The report is hereby accordingly submitted to you for inclusion in the Agenda of the Council Meeting for discussion.

You are kindly requested to issue a formal notice and invite to the Chairperson of the Committee to come present the report in Council once the Council Meeting date has been confirmed,

Yours in Service.



.....
Mr. MNG Mahlatsi
Audit Committee Chairperson



MANGAUNG

METRO MUNICIPALITY
METRO MUNISIPALITEIT
LEKGOTLA LA MOTSE

DIRECTORATE
OFFICE OF THE
CITY MANAGER

AUDIT COMMITTEE REPORT FOR QUARTERS 3 AND 4 TO THE COUNCIL OF MANGAUNG METROPOLITAN MUNICIPALITY

FOR THE 2021/22 FINANCIAL YEAR

29 JUNE 2022

AUDIT COMMITTEE MEMBERS

Mr. MNG Mahlatsi (Chairperson)

Ms. PME Kaota

Ms. TPN Lebenya

Ms. NP Mdaka

Support Staff

Mr. GA Ntsala (Head: Internal Audit Unit)

Ms. A Schmidt (Manager: Performance and Specialised Audit Services)

Ms. F Moeng (Senior Internal Auditor)

Accounting Officer

Mr. T Motlashuping (Acting City Manager)

Acting Chief Financial Officer

Mr. T Sediti

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FOREWORD BY THE CHAIRPERSON

We are pleased to submit our report to the Council of Mangaung Metro covering the work we performed during quarters three and four of the 2021/22 financial year.

During this period, the Committee held two (3) meetings as follows, to discuss amongst other things the following matters as described under section 166(2)(a) of the MFMA;

- (a) internal financial controls and internal audits;
- (b) risk management;
- (c) accounting policies;
- (d) the adequacy, reliability and accuracy of financial reporting and information;
- (e) performance management and evaluation;
- (f) governance;
- (g) compliance;

Meeting Number	Nature of Meeting	Date meeting held
06/2021-22/76	Ordinary	9 February 2022
07/2021-22/77	Ordinary	7 June 2022 (Postponed from 20 May 2022)
08/2021-22/78	Ordinary	29 June 2022

We accordingly submit our report to the Council of Mangaung Metropolitan Municipality in terms of the requirements of MFMA Section 166(2) and Regulation 14(4)(a)(iii) of the Local Government Municipal Planning and Performance Management Regulations of 2001.



Mr. MNG Mahlatsi

Chairperson: Mangaung Metro Audit Committee

1. INTRODUCTION

The Audit Committee hereby submit its report to the Council of Mangaung Metropolitan Municipality in terms of the requirements of MFMA Section 166(2) and Regulation 14(4)(a)(iii) of the Local Government Municipal Planning and Performance Management Regulations of 200. This report covers the work performed by the Committee during the period 01 January 2022 to 29 June 2022.

During this period, the Committee comprised of the following members.

Mr. G Mahlatsi (Chairperson)
Ms. PME Kaota
Ms. TPN Lebenya
Ms. NP Mdaka

All the above members were reappointed for their second term on 1 March 2020 after their initial term that started on 1 October 2016 expired on 31 January 2020. Their current term ends on 28 February 2023.

For the period under review, the Committee held its meetings as follows.

Meeting Number	Nature of Meeting	Date meeting held
06/2021-22/76	Ordinary	9 February 2022
07/2021-22/77	Ordinary	7 June 2022 (Postponed from 20 May 2022)
08/2021-22/78	Ordinary	29 June 2022

The Committee further reports that, it has adopted formal terms of reference (Audit Committee Charter) and has discharged its responsibilities in accordance with this Charter.

2. EXECUTIVE SUMMARY OF THE WORK PERFORMED BY THE COMMITTEE

The following paragraphs summarizes the work performed by the Committee during the period under review. Details are recorded in the Minutes of the Committee attached as **annexures A and B** of this report.

2.1 2020/21 Consolidated Auditor-General Audit Report

The Committee discussed the 2020/21 Consolidated Auditor-General Report and amongst others, made the following observations,

- Critical positions need to be filled to ensure the municipality can address service delivery issues effectively.
- Lack of performance assessments for Senior Managers, the Executive Mayor and the City Manager should ensure that quarterly performance assessments of Senior Managers are conducted
- Structure/ Organogram that is still in the process of being reviewed together with National Treasury and requested management to submit such to the Committee for inputs.

2.2 2020/21 Consolidated Annual Report

The Committee noted the 2020/21 Consolidated Annual Report and the fact that it was tabled on time in Council and referred to MPAC for further processing as per the provisions of MFMA Section 129(1).

2.3 ICT Status Reports

The Committee discussed ICT Status reports to check amongst other things, progress made by the Municipality's ICT Department to address findings raised by AG under the municipality's ICT Environment. The Committee noted with concern the non-functionality of the Municipality's ICT Steering Committee and urged management to ensure that this Committee is functional and process the ICT related Policies for the effective functioning of the ICT Department of the Municipality. The Committee further urged management to speed up the filling of the Chief Technology Officer vacancy to bring stability within the ICT Department and to ensure the proper functioning of the ICT Steering Committee.

2.4 Quarterly SDBIP Progress Reports

The Committee discussed the following SDBIP Progress Reports during the period under review as part of its oversight.

2.4.1 2021/22 Mid-Year SDBIP Progress Report

The Committee discussed the 2021/22 Mid-Year SDBIP Progress Report and raised a concern with management about the poor performance on service delivery projects. This concern of the Committee on service delivery deterioration was also escalated in the previous reports submitted to Council with recommendations of establishing of a Committee of Enquiry to investigate the service delivery failures.

2.4.2 2021/22 Quarter 3 SDBIP Progress Report

The Committee discussed the report and noted with concern the decline in the implementation of Engineering projects which are service delivery orientated in their nature.

2.5 Quarterly Financial Reports

During the period under review, the Committee discussed the following Financial Reports as part of its oversight.

2.5.1 2021/22 MFMA Section 72 Report (financial)

The Committee discussed the report and noted with concern the excessive overtime and water losses. The Committee urged management to manage overtime better in order to reduce it.

2.5.2 2021/22 Quarter 3 MFMA Section 52d Report (financial)

The Committee discussed the report and noted with concern the continuing excessive overtime. The Committee advised Management to reconstitute the Overtime Committee that was previously established to assist the Accounting Officer to address the issue of excessive overtime.

2.5.3 2021/22 2nd Quarter SCM Quarterly Report

The Committee noted the report as presented and enquired with the CFO whether compliance with the Municipal policies was enforced of which was confirmed by the CFO as having been enforced.

2.5.4 2021/22 3rd Quarter SCM Quarterly Report

The Committee discussed the report as presented and enquired with Management as to whether there is a procurement plan that has been approved and whether are there any issues raised by the Auditor-General on the Panel System of procurement. Management confirmed existence of an approved procurement plan and non-existence of issues raised by AG on the Municipality's Panel System of procurement. The Committee then accepted the report as presented.

2.6 Risk Management Quarterly Reports

The Committee discussed Risk Management Quarterly Reports presented before it by the Chief Risk Officer and advised management to be proactive in managing the risks identified (both current and emerging risks) so that most challenges faced by the Municipality can be mitigated.

2.7 Audit Action Plan

The Committee discussed progress reports on the implementation of the Management Audit Action Plan to address AG findings. Although some progress was reported by Management on how some of the AG findings have been addressed, the Committee was concerned about the slow pace at which most of the findings are being addressed by management and urged management to intensify their efforts to address these findings with speed to avoid recurrence of the findings.

2.8 Internal Audit Quarterly Reports

The Committee discussed and approved the following Internal Audit Quarterly reports as presented before it by the General Manager Internal Audit.

2.8.1 2021/22 2nd Quarter Internal Audit Progress Report

The above quarterly report included the following individual reports which were finalised during the period under review and were also discussed by the Committee.

- Internal Audit report number 08/2020-21: Controls Review of the ICT Environment
- Internal Audit report number 18/2020-21: Fleet Management Audit
- Internal Audit report number 22/2020-21: Expanded Public Works Programme Audit
- Internal Audit report number 26/2020-21: Audit Review of Unauthorised, Irregular, Fruitless and Wasteful Expenditure
- Internal Audit report number 32/2020-21: Report on Quarterly reviews on risk management processes (3rd and 4th quarters).

2.8.2 2021/22 3rd Quarter Internal Audit Progress Report

The Committee discussed and approved the report as presented before it by the General Manager Internal Audit.

The report highlighted the completion and issuing of reports on the following Internal Audit projects during the third quarter (Q3);

Report Number	Description	Report Status Final/ Draft
17/2021-22	Debt Collection	Draft
18/2021-22	Audit of performance information – 2nd quarter and mid-year 2021/22 SDBIP progress reports	Draft
19/2021-22	Implementation and monitoring of council resolutions	Draft
20/2021-22	Audit of cash management	Draft
21/2021-22	Audit of billing	Draft
22/2021-22	Grants Audits	Draft
23/2021-22	Supply Chain Management Audit	Draft
24/2021-22	Expenditure management and creditors payment audit	Draft
25/2021-22	Payroll Audit	Draft

2.9 Audit Committee Briefing to the Intervention Team

During its seating of 7 June 2022, the Committee briefed the Intervention Team on Audit Committee Resolutions that still need to be implemented by Management.

These resolutions were subsequently circulated to all Intervention Team Members for processing. As part of its oversight, the Committee will be expecting progress reports on the implementation of these resolutions by the Intervention Team.

2.10 Status of Audit Committee Resolutions

The list of Audit Committee resolutions taken during the current financial year and those carried forward from the previous financial year that shows the status of implementation of the Committee's resolutions is hereto, attached as **annexure C** of the report for information.

3. AUDIT COMMITTEE RECOMMENDATIONS TO COUNCIL

After having considered all reports presented before the Audit Committee by management, the Committee present following recommendations to Council.

3.1 Financial Position

- 3.1.1 The Committee reiterate its previous recommendation on Debt collection drive of the municipality that needs to intensify to ensure that all monies owed to the municipality by residents, government and business are collected for the improvement of the municipality's finances.
- 3.1.2 Overtime cost is still excessively high and therefore, the Committee therefore reiterate its previous recommendation to Council that Management should implement strict measures to manage overtime effectively.

3.2 Performance Management and Evaluation

- 3.2.1 The Committee reiterates its previous recommendation to Council that, the performance of the Municipal Manager and of Heads of Departments should be assessed on a quarterly basis in terms of the provisions of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to municipal managers, of 2006.
- 3.2.2 Capacity within the Organizational Planning and Performance Management Unit need to be increased for effective performance of this Unit.

3.3 Information Communication and Technology (ICT) Environment

The vacant position of the Chief Technology Officer (CTO) and any other critical vacant positions within the ICT Department should be filled as a matter of urgency by appointing a fully qualified person to bring stability within this Unit.

3.4 Auditor General findings

The Committee is still concerned at the pace at which Auditor-General findings are being addressed by Management and therefore, reiterate its previous recommendations that, the Audit Action plan should be a standing item on Executive Management Team meetings. The Municipal Manager should report on a quarterly basis to both the Audit Committee and Council on progress made to eliminate Auditor-General findings. Furthermore, Management should intensify its efforts to address all AG findings to avoid the recurrence of the findings.

3.5 Risk Management

The Committee, recommends that, Management should proactively manage both current and emerging risks to ensure that challenges faced by the Municipality are mitigated.

3.6 Internal Audit

The Committee reiterate its previous recommendation that, in order to improve the control environment of the municipality, Management should timeously implement Internal Audit recommendations.

3.7 Filling of critical posts including the City Manager position

The Committee has noted with concern the instability brought about by the vacancy in the positions of the Heads of Departments and the City Manager and therefore, reiterate its previous recommendation that, Council should speed up the filling of these vacancies and all other critical vacant positions identified within the Municipality to bring stability and improve service delivery.

When these vacancies are filled, they should be filled by suitably qualified and experienced persons who will bring value to the Municipality and improve service delivery.

4. CONCLUSION

This report is submitted to Council in accordance with the provisions of MFMA section 166(2) and Regulation 14(4)(a)(iii) of the Local Government Municipal Planning and Performance Management Regulations of 2001 for Council's attention.

The Committee assures Council that, it remains committed and dedicated to performing its responsibilities without any fear or favour and with honesty and integrity.

A handwritten signature in black ink, appearing to read 'Godfrey Mahlatsi', is written over a horizontal dotted line.

Mr Godfrey Mahlatsi

Audit Committee Chairperson: Mangaung Metro

AUDIT COMMITTEE MINUTES
9 FEBRUARY 2022



MANGAUNG METROPOLITAN MUNICIPALITY

AUDIT COMMITTEE ORDINARY MEETING MINUTES NO. 06/2021-22/76 HELD ON MICROSOFT TEAMS (VIRTUAL)

Date: 09 February 2022

Time: 09h00

1. OPENING

1.1 Welcome

Me Kaota (Audit Committee Member / Acting Chairperson) welcomed all attendees and tendered an apology from the Audit Committee Chairperson's (Mr. Mahlatsi), who will join the meeting shortly.

1.2 Attendance and apologies

The following members were in attendance;

Audit Committee members:

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

Mangaung Metro Municipality:

- Mr. T Maine (Acting City Manager)
- Mr. S Mofokeng (Chief Financial Officer)
- Adv. J Phaladi (HOD: Human Settlements)
- Mr. B Mthembu (HOD: Planning)
- Mr. M Ndlovu (HOD: Engineering Services)
- Mr. M Nkungwana (HOD: Social Services)
- Mr. I Kganyane (Executive Head: Mangaung Metro Police)
- Me. M Mototo (Chief Risk Officer)
- Mr. GA Ntsala (GM: Internal Audit (CAE))
- Mr. M Mothekhe (GM: IDP and Organisational Performance)
- Mr. L Pita (Manager: IDP Process Support)
- 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 (Database Administrator)
- Me. F Moeng (Scriber)
- Me. A Schmidt (Scriber)

Auditor General:

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

- Me. S Steenbok (Senior Manager: AGSA)
- Me. I Goosen (Manager: AGSA)

The GM Internal Audit (CAE) relayed a message from the Acting City Manager requesting himself and the CFO to be excused from the meeting to attend to a matter with the Executive Mayor and therefore, requested agenda items number 3.1, 3.5, 3.6 and 3.7 be discussed when he and the CFO returns. The Acting City Manager also requested to be released from the meeting around 11:30 to attend a court matter relating to the business of the Municipality.

Me Kaota (Audit Committee Member / Acting Chairperson) noted the request from the Acting City Manager and then acknowledged the presence of the Audit Committee Chairperson (Mr Mahlatsi) and indicated she will hand over to the Chairperson after agenda item number 1.3.

Me Kaota then afforded Mr Mothekhe (GM: IDP and Organisational Performance) an opportunity to speak.

The GM: IDP and Organisational Performance requested to be released from the meeting in a moment due to public participation sessions in several towns of Mangaung.

Me Kaota (Audit Committee Member / Acting Chairperson) noted the request from the GM: IDP and Organisation Performance to be released.

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

Me Kaota (Audit Committee Member / Acting Chairperson) then handed over to the Audit Committee Chairperson.

The Audit Committee Chairperson then afforded the GM: Internal Audit (CAE) an opportunity to speak.

The GM: Internal Audit (CAE) requested the Mid-Year Audit Committee Report to Council to be added under Agenda item number 4 (General) for discussion and finalisation, which was circulated to the Audit Committee for inputs.

Me Kaota (Audit Committee Member) moved for adoption of the agenda with an addition under agenda item number 4 (General).

Me Mdaka (Audit Committee Member) seconded the adoption of the agenda with an addition under agenda item number 4 (General).

The Audit Committee Chairperson then announced the adoption of the agenda with an addition under agenda item number 4, i.e., the 2021/22 Mid-Year Audit Committee Report to Council to be discussed under agenda item number 4 (General).

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

The Audit Committee Chairperson then indicated agenda item 1.5 will not materialize since the Acting City Manager is in a meeting with Executive Mayor and further also accepted the apology from the Acting City Manager in this regard.

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

2.1 Minutes of meeting 27 October 2021

The Audit Committee resolved to approve the minutes.

2.2 Minutes of meeting 26 November 2021

The Audit Committee resolved to approve the minutes.

2.4 List of matters arising/resolutions

The Audit Committee Chairperson then afforded the GM: Internal Audit (CAE) and Management an opportunity to present the list of matters arising/resolutions and management to provide feedback,

The GM: Internal Audit (CAE) presented the list of matter arising / resolutions, highlighting matters/resolutions not yet resolved and those partially resolved, and management subsequently responded, 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 (CAE) presented that application forms to part take in the 3G scheme had been provided to Internal Audit staff in January 2022 and resubmitted to IT on 28 January 2022 for processing. This matter will remain partially resolved until 3g and cell phone allowance are provided to Internal Audit staff to allow for remote working.

The Audit Committee Chairperson reiterated that tools of trade should be provided to Internal Audit to operate remotely however, the Committee may not recommend that officials work from home, since the country is currently on Covid 19 alert level 1.

The GM: Internal Audit (CAE) concurred with the chairperson, tools of trade for internal audit still remains critical, whether working remotely or from home. Currently internal audit is still working remotely / from home until indicated otherwise by management. The work from home arrangement has proven to be effective in managing covid 19 cases. The office environment at the municipality was not conducive and therefore working from home was the most viable option and proved to be successful.

The Acting City Manager appreciated the opportunity and then requested the GM: Internal Audit (CAE) to submit a report on the required tools of trade (data and airtime) for consideration by himself (Acting City Manager) and the HOD: Corporate Services. Furthermore, the report should specify the required necessities for offices (e.g. shields) to ensure office space is conducive to operate from during the Covid 19 pandemic.

The Acting City Manager then indicated that previous discussions with the previous acting City Manager (Mr S More) indicated that a communique will be issued instructing all employee to return to offices. The HOD Corporate Services will be instructed to issue this communique. Those departments who want to continue working from home or on a rotational basis will have to submit a motivation to the Acting City Manager for consideration and approval.

The Audit Committee Chairperson appreciated all the inputs and urged management to resolve this matter.

- **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 GM Internal Audit (CAE) presented that the Acting City Manager previously reported to the Committee that this matter will be follow-up with the Speaker of Council and feedback will be provided to the Audit Committee.

The Acting City Manager responded that he has no progress on this matter as he started acting recently and then requested the Committee to elaborate on the kind of capacity needed.

The Audit Committee Chairperson responded that the Committee requires members with ICT and Engineering skills sets, which will strengthen the capacity of the Committee.

The Acting City Manager then recommended that the Committee should submit a report on this matter to Council for consideration. Furthermore, the CFO should be consulted to ensure budget / funds for additional members is availed.

Me Mdaka (Audit Committee Member) then clarified that a report on this matter had been submitted to Speaker's office for submission to Council for consideration and therefore requested the GM Internal Audit (CAE) to indicate the progress thus far.

The GM: Internal Audit (CAE) responded that this matter had been covered in Audit Committee Reports to Council but seems to be hidden in the detail of the report. Therefore, the suggestion of the Acting City Manager to prepare a report / submission on this matter will be considered and this matter will be escalated as part of recommendations to Council in the Audit Committee Report to Council.

The GM: Internal Audit (CAE) further stated that a submission regarding the strengthening / creation of additional capacity for the Audit Committee was submitted to the Speaker's office previously and the Audit Committee had meetings with the Speaker in this regard however, no action was taken by the Speakers' office.

The GM: Internal Audit (CAE) further recommended that the Committee should also indicate to Council in its report the risks of not appointing Audit Committee Members with the required skills mix.

The Acting City Manager concurred with the GM: Internal Audit (CAE) and reiterated that a separate detailed submission should be prepared on this matter, outlining the skills sets required for the Committee and the recruitment process to be followed, for consideration / approval by Council.

The Committee took note of inputs provided and further stated that this matter has already served before Council. Management should take a decision based on other considerations which the Municipality deems fit, to ensure this matter is resolved.

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

The GM: Internal Audit (CAE) stated that this matter still remains unresolved as performance assessments has not yet taken place.

The Acting City Manager indicated according to his knowledge, no performance assessments have been done and then requested the GM: IDP and Organisational Performance to provided progress on this matter.

The GM: IDP and Organisational Performance responded the IDP unit have dealt with necessary matters to ensure performance assessments materialises however, no action was taken by management. The term of the evaluation panels has expired due to the newly appointed political leadership therefore a new evaluation panels must be appointed again.

Me Mdaka (Audit Committee Member) enquired whether provision has been made for performances bonuses.

The CFO responded yes, provision has been made for performance bonuses however, it was requested that these funds be utilized for service delivery functions. Council also resolved that the performance bonus budget must be redirected to service delivery projects during the adjustment budget process.

The GM: Internal Audit (CAE) expressed that budgeting of performance bonuses should not be a pre-requisite to perform performance assessments. The performances of the municipal manager and manager directly accountable to the municipal manager should be performed, irrespective whether bonuses have been declared or not. Council decides whether bonus should be paid or not.

The Audit Committee Chairperson is concerned that performance assessments of the City Manager and Section 56 Managers are not being performed, even after numerous recommendations made by the Committee. Therefore, the Committee resolved that Council should ensure that performance assessments of the City Manager and Section 56 Managers are performed, as a matter of urgency.

Me Kaota (Audit Committee Member) then clarified in response to the GM: Internal Audit's statement on performance bonuses, that Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Managers stipulates that 5% to 14% of the all-inclusive remuneration packages of the Municipal Manager and Managers directly accountable to the Municipal Manager must be set aside for performance bonuses therefore, the municipality should stick to the regulation in terms of performance assessment otherwise performance bonuses will be left to go to dust.

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

The GM Internal Audit (CAE) indicated that this matter is a standing agenda item and will therefore be dealt with under the matters for discussions. Progress thus far is that Policies had been approved.

The Audit Committee Chairperson stated that since the ICT Policies have been approved, the status should change to "resolved".

The GM: Internal Audit (CAE) agreed to change the progress status to "resolved".

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

The GM Internal Audit (CAE) indicated that progress provided previously indicated that work is currently being 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 will be shared with the Committee at its next meeting.

The Audit Committee Chairperson deferred the matter to the next meeting as the Intervention Team is not present to report progress on this matter.

- **Resolution no. 35:** 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 GM Internal Audit (CAE) indicated that the CTO position was advertised on the 9 September 2021 however, the positions has not yet been filled. Therefore, the matter remains not resolved.

The Acting CTO responded that the position of the CTO has been advertised. The Human Resource division still needs to conclude shortlisting, interviews, and appointment.

The Audit Committee Chairperson noted with concern the pace at which this matter receives attention, as this matter was raised in June 2021 and the position is still vacant. The Committee therefore urge management to resolve this matter urgently.

- **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 GM Internal Audit (CAE) indicated that the CFO previously indicated that a request was made to the Engineering Service directorate for the installation of the bulk water meters to ensure water losses are measured. The matter was deferred as the HOD Engineering Services was not in the meeting to respond on this matter. However, a detail report has been submitted by the HOD: Engineering Services and was circulated to the Committee.

The HOD: Engineering Services responded, as indicated by the GM: Internal Audit (CAE), a detailed report was submitted to the Committee on this matter. Currently the municipality has 4 bulk water meters which are not operational, and which will account for more than 80% of water supplies when functional. The Municipality is currently engaging the service provider to include these meters in the refurbishment program. The meters are expected to be operational within the next 2 months. Additional bulk water meters will also be installed at the former Naledi region, which will be done in the new financial year (2022/23).

The Audit Committee Chairperson noted with appreciation the feedback from the HOD: Engineering Services.

- **Resolution no. 7:** 2020/21 4th Quarter SCM Quarterly Report - Report submitted but not discussed

The GM Internal Audit (CAE) indicated that the report was not discussed as the CFO did not feel comfortable presenting a report from the SCM unit which he had lost control over. The CFO has raised his concerns with Acting City Manager regarding issues identified at the SCM unit.

The GM: Internal Audit (CAE) then urged the Committee to ensure that the 2020/21 4th Quarter SCM Quarterly Report is discussed to ensure that any possible irregularities are identified and resolved.

The Audit Committee Chairperson then suggested that the 2020/21 4th Quarter SCM Quarterly Report should be deferred to the next Audit Committee meeting. The Committee will peruse the report outside the meeting and discuss the report in the next Audit Committee Report.

The Audit Committee Members supported the suggestion by the Chairperson.

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

The GM Internal Audit (CAE) reported that reminder letters were issued to HODs to submit outstanding responses to Internal Audit reports. Some outstanding management comments have been received, of which some of them are currently being discussed with management to ensure comments addresses internal audit findings raised. The Status of Management Comments Report had also been submitted to the Committee Services Unit for inclusion in the next EMT agenda for discussion.

The Audit Committee Chairperson noted progress on this matter.

- **Resolution no. 17:** 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 GM Internal Audit (CAE) indicated that progress provided previously indicates that a bench marking exercise was done virtually with the Nelson Mandela Bay Metro Municipality and physically at the eThekweni Metro Municipality. The final report on this matter still needs to be submitted to the Committee for deliberation.

The GM: IDP and Organisational Performance stated that the report on the benchmark exercise on the appropriate size and composition of the IDP and Performance Management Unit performed was submitted to former Acting City Manager (Mr More) for discussion in EMT, however no feedback had been received. Part of the report reflects on lack of sufficient human capacity in the IDP and Organisational Performance Unit, which has not yet been addressed.

The Acting City Manager then announced that Mr Comakae (previous Acting DED; Operations (OCM)) is no longer in the Office of the City Manager. Mr Comakae is now the GM: Investment, Promotion and Marketing in the Economic and Rural Development directorate.

The Acting City Manager then confirmed that the report on the investigation/benchmarking of the appropriate size and composition of the IDP and Performance Management Unit, has not yet served in EMT and therefore, requested the GM: IDP and Organisational Performance to submit the report to him for consideration. The Acting City Manager then stated that the municipality's revised organogram had already been submitted to National Treasury for comments and therefore cannot confirm whether the proposed revised structure for the IDP and Organisational performance Unit as per the benchmarking report have been considered.

The City Manager acknowledged that the IDP and Organisational Performance Unit is grossly understaffed and therefore will find a solution to address the matter. Significant progress will be reported on this matter in the next Audit Committee meeting.

Me Kaota (Audit Committee Member) enquired whether the responsibilities of the former Acting DED: Operations (OCM) (Mr Comakae) have been allocated to an official and whether

hand over reports is provided to newly acting incumbents. Me Kaota then suggested if no one is responsible for the report on the benchmark exercise on the appropriate size and composition of the IDP and Performance Management Unit, then the GM: IDP and Organisational Performance should be invited to EMT to ensure that the matter is dealt with.

The Acting City Manager indicated that the GM: IDP and Organisational Performance will be a standing invitee to EMT.

The Acting City Manager then indicated that the former Acting City Manager (Mr More) brought Mr Pilane (Acting Manager Administration – Fleet and Solid Waste Directorate) to act in the position GM: Strategic Support in the Office of the City Manager, to perform the duties of the former Acting DED: Operations (OCM) up until 26 January 2022. The Acting City Manager then confirmed that the duties of the Acting DED: Operations (OCM) are being performed by himself since 27 January 2022.

The Acting City Manager then confirmed that he has not received a hand over report however, documents en-route to the former acting City Manager or that was at the Office of the City Manager's office, were provided to him except for the report on the benchmark exercise on the appropriate size and composition of the IDP and Performance Management Unit and many other reports.

The Acting City Manager also confirmed that EMT has not sat to address strategic matters except for one extended EMT with General Managers and Managers.

The Audit Committee Chairperson noted the feedback from the Acting City Manager.

- **Resolution no. 20:** Acting City Manager to keep the Committee abreast on progress on the Metro Police matter.

The Acting City Manager indicated that the Metro Police matter is before the court, which is part of the court hearing that he (Mr Maine) has to attend at 12h30 today and for this reason he indicated that he cannot discuss this matter.

The Audit Committee Chairperson then requested the Acting City Manager to brief the Committee on the status quo on the ground relating the Metro Police department and not necessarily matters that led to the court case.

The Acting City Manager stated that personnel appointment forms part of the judgement of 15 December 2021 which is part of the current court case and so does everything relating the Metro Police department forms part of the court cases.

The Audit Committee Chairperson noted with appreciation the feedback from the Acting City Manager.

- **Resolution no. 21:** 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 (2020/21 Annual Performance Assessments and 2021/22 Quarterly Performance Assessments for CM and HODs)

The GM Internal Audit (CAE) indicated that this matter still remains unresolved as performance assessments has not as yet taken place.

The Committee agreed that this matter was discussed under resolution no. 24

- **Resolution no. 22:** Communique from National Treasury regarding the UIFW expenditure should be shared with the Committee, including the responses by the Municipality (i.e., the UIFW Reduction Plan amongst others).

The GM Internal Audit (CAE) indicated that documents in this regard have been circulated to the Audit Committee members, therefore this matter will be resolved today.

The Committee agreed to discuss this matter in the next meeting since the Acting City Manager was released from the meeting to attend urgent Municipal business.

- **Resolution no. 24:** The Committee resolved to accept the withdrawal of the Audit Action Plan by the CFO.

The CFO reported that the Audit Action Plan is been updated with the 2020/21 Auditor-General findings which will be submitted to Internal Audit for review and thereafter to the Audit Committee.

- **Resolution no. 28.2:** Internal Audit should present findings and management comments which does not address the root causes for findings raised

The GM Internal Audit (CAE) indicated that due to EMT meetings not regularly sitting, reminders were sent to individual HODs to submit outstanding management responses to internal audit reports. Some comments were received and those comments not addressing findings raised are being discussed with management to ensure findings raised are addressed.

- **Resolution no. 29:** Acting City Manager should urgently develop a plan / report on how the following 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;

- 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) indicated this matter is still not resolved. The resolution has been communicated to the then Acting City Manager for his attention. Feedback is still awaited.

The Committee resolved to defer this matter to the next Audit Committee meeting as the Acting City Manager is attending a court case relating to the Municipality business.

3. ITEMS FOR DISCUSSION

3.1 2020/21 Consolidated Annual Report

The Audit Committee Chairperson then afforded the GM: IDP and Organisational Performance an opportunity to present the 2020/21 Annual Performance Report (APR) 2021/22.

The GM: IDP and Organisational Performance presented the 2020/21 Annual Performance Report (APR) 2021/22, as follows;

2020/21 Annual Performance Report

The City's Annual Report was compiled in line with section 121 and of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003) as well section 46 of the Local Government: Municipal System Act, (Act No. 32 of 2000). To date the city has tabled the APR in Council on 31 January 2022, published on the MMM website for comments, submitted to all related departments and MPAC for processing.

Below is performance on APR:

Description	KPA 1- Basic Service Delivery	KPA 2 - Municipal Transformation	KPA 3 – Local Economic Development	KPA 4 0 Financial Viability	KPA 5 – Good governance	Total Annual Target
2020/2021						
SDBIP Target SET	114	54	11	12	61	252
Target achieved	29	35	5	8	25	102
% of target achieved	25%	65%	45%	66%	40%	40%

Moreover, challenges identified by Auditor-General on performance information is more on lack of record keeping and validity of reported information specifically on Basic Services (Water and Sanitation as well as Roads) which resulted in material findings.

The Audit Committee Chairperson noted presentation on the APR.

The GM: Internal Audit (CAE) then added that the Annual Report was tabled on time in Council and the components which includes the audited annual financial statements and the reports of Auditor-General (performance reports) have been referred to MPAC for further processing in terms of the requirements of MFMA Circular 32. MPAC may request the views of the Audit Committee on the APR to allow MPAC to conclude their processes.

The Audit Committee Chairperson noted the inputs of the GM: Internal Audit (CAE)

3.2 2020/21 Consolidated Auditor-General Audit Report

Me Kaota (Audit Committee Member / Acting Chairperson) then afforded the Manager (AGSA) an opportunity to present the 2020/21 Consolidated Auditor-General Audit Report;

The Manager (AGSA) presented the 2020/21 Consolidated Auditor-General Audit Report, as follows;

Our role as the Auditor-General of South Africa (AGSA) is to reflect on the audit work performed to assist the council in its oversight role of assessing the performance of municipalities and its entities.

Audit outcomes

There was an improvement in the audit outcome of the group over the five-year term but due to less attention given to compliance with legislation and performance information reporting, the audit outcome stagnated during the previous year.

Audit outcomes of the Mangaung stand-alone

The audit outcome of Mangaung improved over the five year period, but stagnated in the last year due to less attention to performance information reporting as well compliance with legislation.

Audit outcomes of Centlec standalone

The overall outcomes stagnated over the five-year term. This is mainly due to findings identified in performance information and compliance with legislation.

(A) Quality of financial and performance reporting

(i) Credible financial reporting

Root cause analysis

Although there was an improvement in the quality of the submitted financial statements, inadequate review processes of the financial statements as well as slow response from leadership to implement and monitor the audit action plan to address prior year findings on the financial statements resulted in repeat findings reported as well as material corrections processed.

Recommendations

- The review processes of the financial statements should be more rigorous in future to eliminate findings that result in material adjustments.
- Management should develop an action plan to address findings raised, and internal audit should monitor the action plan developed by management
- Effective monitoring and oversight by the audit committee is critical
- Controls with regard to the quality of the financial statements should improve. This can occur by ensuring that controls are implemented throughout the year and not only at year-end.

(ii) Credible performance reporting

Root cause analysis

- Management's insufficient emphasis on performance information and lack of adequate planning resulted in multiple targets included in the strategic documents and reported on in the annual performance plan, not being verifiable.
- It further resulted in no achievement being reported for some targets developed while in other instances, some achievements reported in the annual performance report were not supported by accurate, complete, and reliable information.
- Furthermore, the municipality did not develop standard operating procedures for all indicators and targets for the financial year.

Recommendations

- Implementation by management of the recommendation made in internal audit reports
- The Metro should not only focus on their financial audit opinion, but also put effort into the accurate reporting of the achievement of their service delivery targets.
- The Performance Management Unit (PMU) should be strengthened and supported by leadership
- Sound financial management to ensure funds are available to meet priorities.

(B) Compliance with legislation

Non-compliance with legislation were raised in the audit report on the following matters:

Annual financial statements:

- The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of the MFMA.

Expenditure management:

- Appropriate steps were not taken to prevent irregular expenditure.
- Appropriate steps were not taken to prevent fruitless and wasteful expenditure.
- Appropriate steps were not taken to prevent unauthorised expenditure.

Strategic planning:

- The performance management system and related controls were not adequate as required by municipal planning and performance management regulation 7(1) due to the significant internal control deficiencies identified.

Procurement and contract management:

- Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis.
- Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management.

Consequence management:

- Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person is liable for the expenditure.
- Irregular expenditure incurred by the municipality was not investigated to determine whether any person is liable for the expenditure.
- Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person is liable for the expenditure.

Recommendations

- Controls with regard to the quality of the financial statements should improve. This can occur by ensuring that controls are implemented throughout the year and not only at year-end.
- Management should implement steps and controls to prevent Irregular, unauthorized and fruitless & wasteful expenditure.
- Management should give adequate attention to performance management to improve the quality of the annual performance report.
- Management should implement more stringent controls to ensure that the performance of contractors is monitored monthly and that there is evidence thereof.
- Investigation of irregular, unauthorized and fruitless & wasteful expenditure should be done in time and where necessary, consequence management should be implemented.

Irregular Expenditure

- R223 million – non-compliance in 2020-21
- R1 602 million – non-compliance in 2019-20
- Irregular expenditure has reduced by 86% compared to prior year

Highest contributors to irregular expenditure:

- Service providers where contracts were extended without council approval (R 181 481 008)
- Expenditure items identified where supply chain process was not followed (R9 231 468)

Unauthorised expenditure

- R757 million – non-compliance in 2020-21
- R1 475 million – non-compliance in 2019-20
- Unauthorised expenditure has reduced by 86% compared to prior year

The majority of the unauthorised expenditure was caused by overspending the approved budget

Driver of overspending:

- Corporate Service– R212 million
- Engineering Service – R281 million
- Centlec – R187 million

Fruitless and wasteful expenditure

- R32 million – non-compliance in 2020-21 financial year
- R29 million – non-compliance in 2019-20 financial year

Total fruitless and wasteful expenditure identified amounts to R32 million, up from the reported prior year value of R29 million. Major contributors to current year fruitless and wasteful expenditure:

- R16,9 million (53,4%) of the fruitless and wasteful expenditure relates IPTN projects where service providers claimed extension of time (EOT).
- R12 million (38,9%) of the fruitless and wasteful expenditure relates to Interest paid to Eskom SOC due to late payment.

(C) Material irregularities

Status of MIs in progress

Under-declaration of employee taxes

For the month of July 2019, the municipality withheld pay-as-you-earn (PAYE) from its employees' salaries but under-declared the amount paid to the South African Revenue Service (Sars) in contravention of section 2(1) of the fourth schedule of the Income Tax Act 58 of 1962. Under-declaration of these amounts resulted in a material financial loss for the municipality in respect of a penalty of R1 070 034 and interest of R627 282 being charged by Sars. The penalty and interest formed part of the prior year amount disclosed as fruitless and wasteful expenditure in note 63 to the financial statements.

The accounting officer was notified of this material irregularity on 8 March 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer has responded as follows:

Disciplinary action against the official responsible has commenced. An acknowledgement of receipt of the notice of misconduct was signed by the responsible official on 22 November 2021. A permanent project leader has been appointed to process Sars submissions to prevent such non-compliance from recurring.

A process has been initiated to engage with Sars regarding the possibility of refunding the interest and penalties. A written submission was made on 29 October 2021 in this regard. The actions implemented by the accounting officer will be followed up during the next audit.

Recommendation

The council should use information in the audit report on material irregularities for accountability and oversight purposes, insisting on timeous implementation of recommendations
Hold the accounting officer accountable for failures in the control environment
Follow up on the actions taken against the official(s) responsible for transgressions

(D) Governance and internal controls

- Management did not ensure that internal control processes were adequately implemented to prevent material corrections to the financial statements as well non-compliance with legislation.
- Management did not adequately review or prioritize the supporting documentation for performance management reporting.
- Management was not effective in developing and monitoring implementation of action plans and consequence management.

(E) Other matters

Going concern

- The average repayment term of suppliers was 164 days
- The municipality owed R765 303 349 (2020: R765 030 409) to the water board, as at 30 June 2021, which was long overdue.

These events or conditions, along with other matters as set forth in note 60, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Emphasis of matters

Unauthorised expenditure

As disclosed in note 62 to the consolidated financial statements, unauthorised expenditure of R757 143 501 (2020: R1 475 175 240) was incurred, due to overspending of the budget.

Irregular expenditure

As disclosed in note 64 to the consolidated financial statement, irregular expenditure of R222 865 051 (2020: R1 601 748 845) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Material impairment

As disclosed in notes 4, 5, 6, and 7 to the consolidated financial statements, consumer and other receivables were impaired by R5 382 972 836 (2020: R4 485 984 072).

Material losses

As disclosed in note 65 to the consolidated financial statements, material water distribution losses of R337 156 445 (2020: R221 045 754) were incurred mainly due to burst water pipes, leakages, and unmetered sites.

As disclosed in note 65 to the consolidated financial statements, material electricity distribution losses of R127 757 457 (2020: R138 776 833) were incurred mainly due to line losses, tampering, theft, and variances due to monthly consumption estimates.

Material uncertainty relating to claims against the municipality

With reference to note 54 to the consolidated financial statements, the group is the defendant in various claims. The group is opposing these claims. The ultimate outcome of these matters

could not be determined and no provision for any liabilities that may result was made in the consolidated financial statements.

Restatement of corresponding figures

As disclosed in note 57 to the consolidated financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the group at, and for the year ended, 30 June 2021.

Events after the reporting date

We draw attention to note 61 in the consolidated financial statements, which deals with a council resolution passed on 4 June 2021 for a new sale-of-business agreement between the municipality and its entity, Centlec (SOC) Limited to be implemented within 21 days. Due to legal and accounting implications, council resolved to defer the implementation of the agreement from the 2020-21 financial period to the 2022-23 financial period.

(F) Progress on other reports

The Directorate for Priority Crime Investigation (Hawks) was investigating an allegation of overtime payments to VIP bodyguards employed in the offices of the political office bearers. The outcome was unknown as the investigation report was in progress at the date of this auditor's report.

The Hawks were investigating allegations of irregularities in the municipality's procurement processes regarding a security service tender awarded for the period 1 March 2019 to 28 February 2021. The outcome was unknown as the investigation report was in progress at the date of this auditor's report.

An independent investigation panel investigated allegations of financial misconduct and maladministration against the previous city manager of the municipality at the request of the council on 1 April 2021, for the duration of his term of office. The investigation was concluded on 25 June 2021 and the investigation report was tabled in council on 28 July 2021 where council resolved that pursuing disciplinary steps were unnecessary as the previous city manager had resigned from the municipality.

(G) Recommendations

- Fill key positions with skilled and experienced personnel
- Develop and implement effective action plans to address audit findings
- Monitor performance and consequence management
- Accounting officers/ authorities should strengthen preventative controls to prevent non-compliance

Note: Due to technical difficulties experienced by the Chairperson, the Chairperson then nominated Me Koata (Audit Committee Member) to chair the meeting until he returns to the meeting (Refer to agenda 3.7 which was discussed before this item 3.2 on a request from the GM: IDP and Organisational Performance to attend to urgent municipal business)

Me Kaota (Audit Committee Member / Acting Chairperson) noted with appreciation the presentation by the Manager: AGSA and the concerns raised.

Me Mdaka (Audit Committee Member) enquired whether performance evaluations for General Managers and employees below General Manager level are guided by legislation.

The Manager (AGSA) responded to ensure a culture of accountability is maintained, it is the recommendation of Auditor General that General Managers and lower levels should be subjected to performance evaluations as well, after due processes have been followed.

Me Kaota (Audit Committee Member / Acting Chairperson) noted the Manager (AGSA) response and further stated that the Regulations on the Local Government: Municipal Planning and Performance Management which is implementable from 1 July 2022 makes provision for individual performance evaluations.

Mr Selemale (Accounting and Auditing Advisor (National Treasury)) then appealed to Auditor - General to assist with the implementation of internal controls that are not easily implementable.

The GM: Internal Audit (CAE) indicated that Regulations on the Local Government: Municipal Planning and Performance Management that was gazetted and issued in 2021 makes provision for performance management system of the municipality, including how it should be developed and what it should entail in terms of processes of managing performance therefore, the municipality can always make reference to this regulation when performance evaluations are cascaded down to lower levels.

Me Kaota (Audit Committee Member / Acting Chairperson) noted the inputs of the GM: Internal Audit (CAE) and further stated all these issues (performance management amongst other) have been raised by the Committee and subsequently non-attendance to these issues will always result those findings in this regard reoccur. The Committee have noticed with concern that there is no business continuity as no hand over reports has been given to newly acting city managers. Critical positions need to be filled to ensure the municipality can address service delivery issues effectively.

Me Mdaka (Audit Committee Member) then requested management to submit the organogram, that was submitted to National Treasury for comments, to the Committee for discussion to allow the Committee check whether the organogram have been updated to reflect the proposed structure for the IDP and Organisational Performance Unit amongst other.

Me Kaota (Audit Committee Member / Acting Chairperson) concurred with Me Mdaka that the Organogram / Organisational structure as submitted to National Treasury should be submitted to the Committee for perusal and discussion.

3.3 ICT Status Report

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

The Acting CTO presented the ICT Status reports 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	Reasons as to why No progress has been made to date	Due date
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	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	Awaiting Review and Implementation, ICT Steering Committee must sit in order to scrutinise and proceed with the Review and implementation thereof.	Policy approved by Council	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.
22	CAF(22)(EV)-ISA- Inadequate implementation of password controls around Active Directory, Freshmark, Payday, Route master, 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 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	Awaiting Review and Implementation, ICT Steering Committee must sit in order to scrutinise and proceed with the Review and implementation thereof.	Policies Approved by Council	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.
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.	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	Consequence Management Plan to serve in the EMT and ICT Steering Committee before end June 2021	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.	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	Reasons as to why No progress has been made to date	Due date
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.	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	Service Provider has been appointed and the Project concerning the development of a draft MASTER Systems Integration Plan is currently active.	Project is Active but with delays. Appointed Service provider still actively busy concluding various tasks of preparing the final draft on the ICT Systems Integration Plan. Updated plan to follow after environmental scan inputs and assessment data have been concluded. ICT Steering Committee did not yet sit to have the Draft Systems Integration Plan Version 1 served before them for approval in order for the Project to proceed. Final Draft ICT Systems Integration Project Plan must be tabled at the next ICT Steering Committee for consideration etc.	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.
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, 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	Regular follow ups have been done by ICT to the User Directorate	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.

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	Reasons as to why No progress has been made to date	Due date
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.	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	The Service Provider appointed to assist with all the ICT Governance Policies and Documents are currently making additions as part of their ongoing Project that includes all ICT Policies and Framework matters be reviewed annually. This item will then be address specifically under ICT Security Policy and all Annexures thereto. The Service Provider uses the Recommendations from the AG as a Guideline in order to minimise Risks and Audit Queries.	Server Room Procedures, Rules and Regulations will be included in the ICT Security / Cyber Security Policy. Currently under review with additions as per AG recommendations.
74	CAF (74)(EV)-ISA: Inadequate implementation of user access management controls around Route master system. - (ISS.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 finalized 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	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	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.
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.	The consequence management plan should be developed by the Executive Office	In Progress	Consequence Management Plan to serve in the EMT and ICT Steering Committee before end June 2021	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.

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	Reasons as to why No progress has been made to date	Due date
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;	The ICT Steering Committee needs to finalize its recommendations of the draft Backup and Disaster Recovery Design and Configuration Manual	In Progress	Newly Appointed ICT governance Service Providers are reviewing and developing all manuals and policies including The Disaster Recovery Design and Configuration Manual	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)]	DRAFT Document Received, ICT Steering Committee to sit and deliberate thereon.
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, 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 intergration, has been approved by council paving the way for intergarted data and back up facilities.	? - Any Progress ??	
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.	The User Access Management Policy has been presented to the ICT Steering Committee and was further recommended.	In Progress	The Policy has been presented to the Corporate Services and Mayoral Committee and now 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	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.

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	Reasons as to why No progress has been made to date	Due date
							approval and implementation.	
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.	The consequence management plan should be developed by the Executive Office	in Progress	Consequence Management Plan to serve in the EMT and ICT Steering Committee before end June 2021	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.
52	CAF (116)- (EV) ISA - Inadequate design and implementation of IT Governance controls - (ISS.116)	Repetition		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 Intergration in Progress	Project is Active but with delays. Appointed Service provider still actively busy concluding various tasks of preparing the final draft on the ICT Systems Integration Plan. Updated plan to follow after environmental scan inputs and assessment data have been concluded. ICT Steering Committee did not yet sit to have the Draft Systems Integration Plan Version 1 served before them for approval in order for the Project to proceed. Final Draft ICT Systems Integration Project Plan must be tabled at the next ICT Steering Committee for	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.

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	Reasons as to why No progress has been made to date	Due date
						consideration etc.		
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.	Executive management needs to ensure that all ICT related services are centralised within ICT Sub-Directorate for audit compliance purposes	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	POE of SUPPLY CHAIN MANAGEMENT Policy stipulating ALL SYSTEMS to be CENTRALISED in the ICT Sub-Directorate for procurement, maintenance, support, backups etc.	Council APPROVED the ICT Corporate Governance Framework 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.
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.	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	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.	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.	Policy Approved by Council, currently under review and awaiting implementation. ICT Steering Committee must Convene urgently on this matter.
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.	ICT will draft a Bring Your Own device policy and present it to the ICT Steering Committee	In Progress	Newly Appointed ICT governance Service Providers are reviewing and developing all manuals and policies including The Bring Your Own Device Policy.	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.	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	Reasons as to why No progress has been made to date	Due date
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.	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	? - Any Progress ??	
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 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	Copies of Contracts are kept at legal services. The contract register has been developed and is constantly updated.	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	OUT OF ICT SCOPE

Me Kaota (Audit Committee Member / Acting Chairperson) noted with appreciation the presentation by the Acting CTO on the ICT Status Report and enquired details of incumbents who is supposed to serve on the ICT Steering Committee and when was the last sitting.

The Acting CTO responded that the ICT Steering Committee is a committee of the City Manager, and therefore the City Manager should ensure that meetings are scheduled through the office the Committee Services Unit. Currently no ICT Steering meetings are convened. Furthermore, the former Acting DED: Operations within the Office of the City Manager use to organise ICT Steering Committee meetings and all The HODs attend ICT Steering Committee meetings.

Me Kaota (Audit Committee Member / Acting Chairperson) then resolved that the acting CTO should submit a timetable and action plan that reflects how often the ICT Steering Committee should convene meetings.

3.4 Risk Management Report

The Audit Committee Chairperson then afforded the Chief Risk Officer an opportunity to present the Risk Management Reports.

The Chief Risk Officer presented the Risk Management Reports as follows;

Summary of Strategic Risks Identified

The municipality has a total of 43 identified strategic risks for the current financial year Highest number of strategic risks per category identified relates to environmental, reputational and social risks.

Only 2.5% (1 related risk) of control measures are effective in mitigating the strategic risks identified to an acceptable residual risk level 86% (37 related risks) of the strategic risks' control

measures are to a certain extent working to reduce the residual risk. Attention should be given to the 11.5% (5 related risks) of risks where control measures are either not effective or have no controls.

Risk assessment report for the financial year 2021/2022

Top 10 Strategic Risks

Risks	Consequences	Mitigation Strategies
1. Financial instability	<ul style="list-style-type: none"> - Poor service delivery. - Inability to expand revenue streams. - Inability to invest and attract investment. - Community unrests. - Aging infrastructure. 	<ul style="list-style-type: none"> - Improvement in the utilization of the grants. - Building of internal human capacity to implement and manage projects (HDA assistance).
2. Political instability	<ul style="list-style-type: none"> - Negative impact on the functionalities of the committees. - Late approval of budget. - Delays in the adoption of policies. - Non-implementations of decisions. - Negative impact on Service delivery leading to protest. 	<ul style="list-style-type: none"> - Compilation of the handover report from existing council to the new council. - Continued encouragement of councillors and officials to read and apply the existing laws and regulations by way of training and workshops. - Induction of councillors at the beginning of their term.
3. Community unrests	<ul style="list-style-type: none"> - Intensify resealing and rehabilitation programme. - Implement City's infrastructure Delivery and Management System. - Fund and implement preventative road maintenance plan. 	<ul style="list-style-type: none"> - Intensify resealing and rehabilitation programme. - Implement City's infrastructure Delivery and Management System. - Fund and implement preventative road maintenance plan.
4. Road infrastructure collapse	<ul style="list-style-type: none"> - Continued implementation and monitoring of current controls. - Continued creation of awareness and encouragement to vaccinate 	<ul style="list-style-type: none"> - Intensify resealing and rehabilitation programme. - Implement City's infrastructure Delivery and Management System. - Fund and implement preventative road maintenance plan.
5. Spread of Covid-19 amongst employees, councillors and community members	<ul style="list-style-type: none"> - Regularised waste collection. - Comply with the legal obligation of reporting on monthly basis. - Enforcement of the By-Laws and Policies. 	<ul style="list-style-type: none"> - Continued implementation and monitoring of current controls. - Continued creation of awareness and encouragement to vaccinate
6. Pollution	<ul style="list-style-type: none"> - Illegal dumping. - Poor air quality. - Health risks. - Litigation. - Poor quality of life. - Loss of bio-diversity. - Loss of recreational facilities. 	<ul style="list-style-type: none"> - Regularised waste collection. - Comply with the legal obligation of reporting on monthly basis. - Enforcement of the By-Laws and Policies.

7. Corporate governance failure	<ul style="list-style-type: none"> - Placement of the municipality under administration. - Negative impact on service delivery. - Negative financial impact. - Negative audit findings. - Possible loss of grant funding. - Negative organizational reputation. - Depressed economy. 	<ul style="list-style-type: none"> - Monitoring of implementation of internal controls and compliance with laws, regulations and policies.
8. High unemployment	<ul style="list-style-type: none"> - Decrease in tourism. - Negative financial impact on the municipality. - Limited revenue collection. - Lack of service delivery. - High crime rates in the city. - Community protests forcing the municipality to employ them. - Unhealthy competition among job seekers that may result in criminal actions. 	<ul style="list-style-type: none"> - Training of SMMEs. - Work together with other stakeholders to assist small scale farmers with funding. - Appointment of local communities in capital projects. - Labour intensive construction methods will be considered when designing infrastructure.
9. Illegal building activities and illegal land use	<ul style="list-style-type: none"> - Optimal use of the social media platforms (digital and e-government strategy). 	<ul style="list-style-type: none"> - Issue notices. - Appointment of GM, BCO, building inspectors and interns. - Law enforcement to deal with the enforcement of the By-Laws. - Regular monitoring of land invasions.
10. Damage to the brand	<ul style="list-style-type: none"> - Community protests. - Fragmented communication. - Incorrect information circulated (Fake news). - Loss of Investor Credibility. - Loss of Credible customers. 	<ul style="list-style-type: none"> - Optimal use of the social media platforms (digital and e-government strategy).

Summary of Operational Risks Identified Per Directorate

The municipality has a total of 246 identified operational risks for the current financial year.

Directorate	NUMBER OF OPERATIONAL RISKS FOR 2021/22
Office of the City Manager	30
Corporate Services	62
Economic and Rural development	12
Planning	22
Finance	43
Engineering Services	19
Human Settlements	20
Social Services	25
Solid Waste and Fleet Management	13
Total	246

Only 11% of control measures are effective in mitigating the operational risks identified to an acceptable residual risk level. 65% of the operational risks' control measures are to a certain extent working to reduce the residual risk. Attention should be given to the 24% of risks where control measures are either not effective or have no controls.

Me Kaota (Audit Committee Member / Acting Chairperson) noted the presentation of the Risk Management Report and allowed members and attendees to engage on the presentation.

Mr Selemale (Accounting and Auditing Advisor (National Treasury)) enquired as to how Internal Audit, Risk Management and External Auditors process are aligned.

The Chief Risk Officer responded that Risk Management peruse Internal Audit reports to identify risk identified, before engaging with departments. Internal Audit also consider the risk assessment reports when developing their annual internal audit plan. Auditor-General also request the risk assessments reports before their commence with audits. Internal Audit also audit the risk management process bi-quarterly.

Me Kaota (Audit Committee Member / Acting Chairperson) noted the response by the Chief Risk Officer and then acknowledged the presence of the Audit Committee Chairperson. Me Kaota then enquired whether there is improvement in response to risk identification by departments.

The Chief Risk Officer responded that over the past 3 years the Municipality is more or less at the same performance in terms of identifying risk and how internal controls are implemented, therefore it is still a desktop exercise. The Municipality is more reactive then proactive in addressing identified risks.

The Audit Committee Chairperson then enquired what level of risk do the Municipality attribute to Community Forum disruptions.

The Chief Risk Officer responded that one of the top 10 risks is financial instability and Community unrests which emanates from poor service delivery as a result of financial instability. The Municipality is more reactive than proactive in addressing these risks.

The Audit Committee Chairperson noted the response form the Chief Risk Officer.

Me Kaota (Audit Committee Member / Acting Chairperson) then encouraged management to be more proactive in dealing with identified risks.

The Chief Risk Officer then presented the Report on the Risk Management Committee 2020/21 financial year performance assessment, as follows;

Self-Assessment Results

The questionnaire is divided into 5 categories as it relates to membership, terms of reference, meetings, roles and responsibilities and reporting. In each question a response between 1 to 5 could be chosen and the responses indicated the following:

No.	Indication
1	Strong disagree
2	Disagree
3	Neutral
4	Agree
5	Strongly agree

The average rating for all categories was 3.8 rounded-off to 4 which means that members do agree that they performed their risk management committee responsibilities in line with the approved Terms of Reference for 2020/21 financial year (see attached Annexure A for detailed self-assessment results).

Me Kaota (Audit Committee Member / Acting Chairperson) then enquired as to who serves on the Risk Management Committee and whether the capacity is sufficient.

The Chief Risk Officer explained that the Risk Management Committee consist of all HODs and 2 external members. Internal Audit, Legal Services and ICT are standing invitees. The 2 external members have auditing and municipal experience.

3.5 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 indicated that the Audit Action Plan for the 2020/21 financial is currently being developed, which have been shared with HODs. The plan will be ready for review by Internal Audit by next week and thereafter will be submitted to the next Audit Committee for deliberation.

The Committee took note that the audit action plan is currently been developed.

3.6 Financial Reports

3.6.1 2021/22 MFMA Section 72 Report (financial)

The Audit Committee Chairperson then afforded the CFO an opportunity to present the 2021/22 MFMA Section 72 Report (financial).

The CFO presented the 2021/22 MFMA Section 72 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 month of R4 238.208 million is higher than the year-to-date target of R4 036.799 million and the expenditure for the month is R4 193.700 million, which is higher than the year-to-date target of R3 725.856 million respectively.

The major revenue variances against the budget are:

- Property rates - Unfavourable variance of -R49.020 million (-7%) for the month due to lower property rates billed for domestic properties than budgeted.
- Electricity – Unfavourable variance of -R23.334 million (-1%) for the month, due to lower user's consumption than budgeted.
- Water revenue – Unfavourable variance of -R40.439 million (-7%) for the month due to lower user's consumption than budgeted for the month.

- Services charges: Sanitation revenue- Unfavourable variance of -R7.909 million (-4%) due to lower billing for sanitation services than budgeted for the month.
- Services charges: Refuse revenue – Unfavourable variance -R3.928 million (-5%) due to lower households billed than budgeted.
- Rental of facilities and equipment – Favourable variance of R6.009 million (53%) 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 –R5.264 million (-53%) for the month due to lower investment and cash balances than anticipated. • Interest earned on Outstanding debtors - Favourable variance of R48.232 million (39%) due to payment on interest received from debtors including government.
- Fines - Unfavourable variance of –R8.370 million (-65%) is mainly due to the non-accrual of traffic fines for the month. Performance is also hampered by the deficiencies in internal control measures.
- Licences and permits – Favourable variance R323 657.72 (134%) due to the implementation and roll out of licences and permits to SMME's and to companies for advertising.
- Government Grants and subsidies – Operating: Favourable variance of R234.815 million (51%) for the month due to a once off tranche for four months as against a monthly apportionment of the budget received for the month.
- Other revenue- Favourable variance of R47.929 million (18%) – higher revenue collected for rendering of services than anticipated for the month.

The major operating expenditure variances against the approved budget are:

Employee related costs – Unfavourable variance of R77.932 million (7%) on the year-to-date approved budget due to overspending on overtime and the implementation of the new salary and wages agreement approved by SALGA for an increase of 3.5% on salaries from 1 July 2021 that was higher than anticipated. The overspending on overtime to date is R48.961 million (Budget R40.780 million vs Actual R89.741 million). The overspending for the month to date on overtime will result in unauthorised expenditure in most of the votes.

- Debt impairment – Unfavourable variance R579 758.94 (0%) due to processing of accrual journals for provision of bad debts and the billing integration for the month.
- Depreciation – Unfavourable variance R300.370 million (190%) due to processing of actual depreciation on assets for the month as per the asset register.
- Finance charges – Favourable variance of –R41.424 million (-42%) 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 R220.454 million (22%) due to bulk purchases for electricity that are higher than the target for the period. The settlement agreement on the Bloemwater outstanding account also have an impact on the purchasing of bulk water.
- Other materials – Unfavourable variance R80.124 million (28%) overspending due to higher needs for materials and supplies by all the departments.
- Contracted services - Favourable variance of -R46.862 million (-16%) due to underspending on other contracted services for the month and the implementation of cost containment measures.

Capital expenditure report

The year-to-date spending for the month is R399.421 million (65.33%) on the year-to-date budgeted target of R611.359 million. On an annual basis we have thus spent only R399.421

million (32.66%) of the year-to-date expenditure versus the approved budget of R1 223.138 million.

Cash Flow Statement (CFS)

The CFS report for the month ending 31 December 2021 indicates a closing balance (cash and cash equivalents) of R383.605 million (30 June 2021 – R218.159 million) which comprises of the following:

- Bank balance and cash R1.088 million (Mangaung) ABSA
- Bank balance and cash R42.895 million (Mangaung) NEDBANK
- Bank balance and cash R10.845 million (Centlec)
- Bank balance and cash R5.768 million (Market)
- Investment deposits R289.575 million (Mangaung)
- Investment deposits R33.368 million (Centlec)

Cash flows from operating activities category:

- Property rates, penalties & collection charges reflect a year-to-date amount of R708.507million, resulting in an R57.705 million (9%) favourable variance, as compared to a year target of R650.803 million.
- Service charges reflect a year-to-date amount cash collection of R2 216.927 million, resulting in an -R295.31 million (-12%) unfavourable variance, as compared to a year target of R2 512.058 million.
- Other revenue reflects a year-to-date amount of R638.326 million, resulting in an R329.986 million (107%) favourable variance, as compared to a year target of R308.340 million.
- Operating grants and subsidies show a year-to-date receipted amount of R836.864 million compared to a year-to-date target of R462.658 million resulting in R374.206 million (81%) favourable variance. (Variance due to grant receipt apportionment quarterly vs monthly budget);
- Capital grants and subsidies show a year-to-date amount of R687.491 million compared to a year-to-date target of R871.345 million resulting in -R183.854 million (-21%) unfavourable variance due to grant receipt apportionment quarterly vs monthly budget);
- Interest shows a year-to-date amount of R23.330 million compared to a year target of R9.883 million, indicating R13.447 million (136%) favourable variance.

With regards to payments:

- Suppliers and employee payments indicate a year-to-date amount of -R4 368.517 million (R1 089.814 million unfavourable variance) compared to a year-to-date target of - R3 278.703 million mainly due to accrued creditors at the end June 2021, paid in July.
- Capital payments indicate a year-to-date amount of -R399.421 million (-R211.082 million favourable variance) compared to a target of -R610.503 million due to the slow uptake of capex projects during the first month of the year.
- Finance charges shows a year-to-date amount of -R74.906 million compared to a year target of -R99.470 million, resulting in a favourable variance of R24.564 million.
- Transfers and grants indicate a year-to-date amount of R0 million (R1.415 million) Unfavourable variance) compared to a target of -R1.415 million. 14

- Repayment of borrowing indicates a year-to-date amount of –R96.804 (R31.043 million favourable variance) compared to a target of R65.761 million due to the repayment of borrowings due.

Outstanding Debtors Report

The debtors balance as of 31 December 2021 is R7 817.355 million including unallocated credits of R340.950 million (30 June 2021 – R7 518.183 million including unallocated credits of R333.267 million), thus reflecting a decrease of R299.172 million (3.83%) for the month.

Debtors by Customer Group – 31 December 2021

Domestic;	R4 595 221 425;	58.78%
Government;	R1 944 675 024;	24.88%
Business;	R1 277 459 005;	16.34%

Debtors by Income Source - 31 December 2021

Water;	R2 827 489 895	36,17%
Elec;	R1 028 937 278	13,16%
Rates;	R1 524 711 123	19,50%
Sanitation;	R770 470 531	9,86%
Refuse;	R327 321 459	4,19%
Interest;	R207 724 111	15,45%
Other;	R130 701 057	1,67%

The Audit Committee Chairperson noted the 2021/22 1st Quarter MFMA Section 52 Report (financial) and further took note and or enquired on the following;

- Revenue is in excess of the budget, which is very encouraging
- The Committee hopes that the collection rate will also increase.
- The Committee further noted with concern the expenditure which is in excess of the budget and therefore the Committee would like to know how overtime will be managed better.
- The Committee further takes note of the pre-paid water meter projects which is encouraging
- Does the municipality have programme to address water losses?

Selemale (Accounting and Auditing Advisor (National Treasury)) enquired (1) what the debt collection rate is, (2) what are the challenges regarding the excessive employee overtime cost.

The Chief Financial officer responded that the current collection rate (75%) is lower than the benchmark of 95%. In terms of the approved budget, the Municipality have budgeted for 85% debt collection. Measures are being taken to improve on the collection of debt. The debt collection unit is in place and will be capacitated, as the municipality want to do away with debt collection companies. Only exceptional cases of debt collection cases will be handed over to lawyers. Government departments are being engaged on their debts. The Municipality is currently also engaging Centlec to be able to enforce collection through electricity purchases.

An Overtime policy is in place, however, is not always been implemented. Employees have an abusive culture when it comes to overtime.

Water losses programs are currently underway and are also funded from the office of the president, from which plumbers will be trained to check for water leakages all over Mangaung. Indigents will also be educated on water safety tips.

The HOD Engineering Services added that as part of the Presidential Stimulants Grants, water leakages issues have been identified. Plus minus 500 plumbers will be appointed to attend to water leakages in indigent areas or townships. The Municipality is also working with National Treasury to improve on water demands matters.

The Audit Committee Chairperson noted the responses and then urged management to address excessive overtime spending.

The HOD Social Services added the CFO's response, that efforts have been made to cut down on overtime, though the abusive culture of employees is a huge contributor to overtime. Overtime at the parks and zoo division have been cut which led to industrial action. The parks employees do not match the tools of trade available (i.e., only 3 tractors are available for the entire city), and therefore fleet management should be engaged to provide the necessary tools of trade which will assist alleviate overtime cost.

The Audit Committee Chairperson noted the responses from the HOD: Socials Services and urged management to managed overtime better.

3.6.2 2021/22 2nd Quarter SCM Quarterly Report

The Audit Committee Chairperson then afforded the CFO an opportunity to present the 2021/22 Quarter 2 SCM Quarterly Report.

The CFO presented 2021/22 2nd Quarter SCM Quarterly Report, highlighting the following areas;

Bids Advertised during the Months October, November and December 2021;

October 2021	November 2021	December 2021
16	0	0

Awarded Bids for procurement above R200 000 during months Months October, November and December 2021

October 2021	November 2021	December 2021
16	2	10

Advertised written formal quotations for procurement between R30 000 – R200 000 during the months of Months October, November and December 2021.

October 2021	November 2021	December 2021
3	8	6

Awarded written formal quotations for procurement between R30 000 – R200 000 during the months of Months October, November and December 2021.

October 2021	November 2021	December 2021
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0	0	4
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Approved Panel System Procurement during the Month of Months October, November and December 2021.

October 2021	November 2021	December 2021
10	14	8

Procurement of Goods and services through Section 15.8.3 of SCM Policy from Months October, November and December 2021; (Fleet related maintenance and services)

October 2021	November 2021	December 2021
59	30	7

Procurement of Goods and Services through 15.8.3 Of Supply Chain Management Policy from Months October, November and December 2021- Logistics Management (Indigent burials)

October 2021	November 2021	December 2021
29	22	38

Deviations from normal SCM Procurement processes during the month of Months October, November and December 2021

October 2021	November 2021	December 2021
5	2	0

Monthly Stock Taking Values are follows;

- October 2021: R4 096 250.37
- November 2021: R4 203 417.22
- December 2021: R3 979 239.04

The Audit Committee Chairperson noted the 2021/22 2nd Quarter SCM Quarterly Report and enquired whether the CFO have checked the transaction compliance with applicable policies and legislations, which was processed during the time the CFO lost control over operations at the SCM division.

Mr Selemale (Accounting and Auditing Advisor (National Treasury)) then seek clarity on the methodology that is been used for panel system procurement.

The CFO responded that the SCM policy is clear on the processes that needs to be followed for panel system procurement. Appointments are mainly on a rotational basis and records are kept in this regard. Appointments are based on points scored by the service provider during the bid process and to ensure fair allocation. History of the allocations are attached to every approved allocation.

The CFO then stated that before a deviation is approved the municipality assess whether it meets the requirement of the SCM regulations.

The CFO then confirmed that the 2020/21 Quarter 4 and 2021/22 Quarter 1 SCM Reports were reviewed and check for compliance, cases of non-compliance was returned for correction. The CFO further confirmed that all transaction processed were approved by himself.







The Audit Committee Chairperson noted the responses from the CFO.

3.7 2021/22 Mid-Year SDBIP Progress Report

The Audit Committee Chairperson then afforded the GM: IDP and Organisational Performance an opportunity to present the 2021/22 Quarter 2 and Mid-Year SDBIP Progress Reports.

The GM: IDP and Organisational Performance presented the 2021/22 Quarter 2 and Mid-Year SDBIP Progress Reports as follows;

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 both National Treasury and Cogta.

Level	%Score	Terminology	Total	%	Status
5	130+	Outstanding Performance	12	5	
4	101% - 130%	Performance Significantly Exceeds Expectations	13	5	
3	100%	Target Met	86	29	
2	50 – 99%	Performance Below Expectation – with progress being made	74	25	
1	0 – 49%	Unsatisfactory Performance	74	25	
-	-	Projects not yet due and to be rolled over to the next quarter	31	11	
Total			290	100	

The performance of the city shows that the city is progressing less by 1% when compared to the 2020/2021 APR, which gives the indication that city should be performing much better towards the end of the financial year specifically the 51% of those targets that are not performing well.

Circular 88 Indicators

The performance in the second quarter report shows that the Council is progressing at 32% (18 – projects/services) with reference to optimal functionality and effectiveness of user departments performing outstandingly, significantly exceed and fully effective on the set targets. Furthermore, 7% (4) – projects/ services) shows that user department have performed below expectation – with progress being made. There is a worrying performance in relation to 45% (25) – projects/services) that registered unsatisfactory performance, and further 16% (9) – projects to be rolled over to the next quarter.

The Audit Committee Chairperson noted presentation of the 2021/22 Quarter 2 and Mid-Year SDBIP Progress Reports and then afforded Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) an opportunity to deliberate on the presentation.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) requested the Municipality to share some of the key challenges that led to poor performances on basic service delivery projects. Secondly, can management explain why recommendations of Internal Audit and Auditor-General are not being implemented.

The GM: IDP and Organisational Performance indicated that HODs are the best suited officials to answer the questions of Mr T Selemale.

Me Kaota (Audit Committee Member) stated in response to the chairperson silence that the Audit Committee Chairperson might be having technical difficulties and then recognised the hand of the GM: IDP and Organisational Performance

The GM: IDP and Organisational Performance then requested to be released due to public participation, as requested earlier.

Me Kaota (Audit Committee Member / Acting Chairperson) approved the request by the GM: IDP and Organisational Performance to be released and then recognised the hand of the GM: Internal Audit (CAE).

The GM: Internal Audit (CAE) then confirmed that the chairperson is having technical difficulties and have telephonically requested that Me Kaota to continue chairing the meeting until he returns.

Me Kaota (Audit Committee Member/ Acting Chairperson) accepted the request by the chairperson to chair the meeting until chairperson returns.

3.8 2021/22 2nd Quarter Internal Audit Progress Report

The Audit Committee Chairperson then afforded the GM: Internal Audit (CAE) an opportunity to present the 2021/22 2nd Quarter Internal Audit Progress Report.

The GM: Internal Audit (CAE) presented the 2021/22 2nd Quarter Internal Audit Progress Report, highlighting the following areas;

Executive Summary Report

We report that all nine (9) audit assignments scheduled for quarter two were completed. During this quarter, ten (10) internal audit reports were issued to management. Out of the ten (10) reports issued, two (2) were finalised and eight (8) reports are still to be finalised as we are still pursuing management to provide responses to these reports/evaluating management comments received.

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 2nd quarter of 2021/22 (current financial year). These reports are also submitted to the Audit Committee for information and discussion.

- Internal Audit report number 08/2020-21: Controls Review of the ICT Environment

- Internal Audit report number 18/2020-21: Fleet Management Audit
- Internal Audit report number 22/2020-21: Expanded Public Works Programme Audit
- Internal Audit report number 26/2020-21: Audit Review of Unauthorised, Irregular, Fruitless and Wasteful Expenditure
- Internal Audit report number 32/2020-21: Report on Quarterly reviews on risk management processes (3rd and 4th quarters).

Training and Development

No training was attended by any of the Internal Audit Staff during the quarter under review due to financial constraints.

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 affect 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.

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 with appreciation the presentation of the 2021/22 2nd Quarter Internal Audit Progress Report.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) noted that a report was issued by Internal Audit on Unauthorised, Irregular, Fruitless and Wasteful Expenditure and therefore enquired on the recommendations made by Internal Audit on this report and in cases where challenges was identified.

The GM: Internal Audit (CAE) responded that challenges were identified which have been discussed earlier in the meeting. This report will be shared with National Treasury colleagues. Issues on processes was identified, as a report was expected from the Intervention Team in this regard, which was not submitted.

Lack of political will to ensure that processes are caried out in this regard is one of the major challenges, to ensure that investigations are performed and consequence management is applied where applicable.

The Audit Committee Chairperson noted the response from the GM: Internal Audit (CAE).

4. GENERAL

2021/22 Mid-Year Audit Committee Report to Council

The Audit Committee Chairperson afforded the GM: Internal Audit (CAE) and opportunity to engage on the 2021/22 Mid-Year Audit Committee Report to Council

The GM Internal Audit (CAE) stated that the 2021/22 Mid-Year Audit Committee Report to Council has been shared with the Audit Committee for inputs and proposed the following recommendation based on discussions during the Committee's meeting today;

(a) Capacitating the Audit Committee with skills lacking in the Committee

The Committee should recommend to Council to build capacity within the current Audit Committee by appointing a qualified Engineer as the fifth member of this Committee, to be able to assist the Committee to analyse and interpret engineering reports that serves before the Committee as submitted by Management.

The remaining skills (i.e. ICT and Legal) be considered during the appointment of the new Audit Committee after the end of the term of the current Committee.

(b) Filling of critical posts including the City Manager position

The Committee should reflect on concerns identified regarding the instability brought about by the vacancy in the position of the City Manager and is therefore should recommend that, Council should speed up the filling of this vacancy and all other critical vacancies identified within the Municipality to bring stability and improve service delivery.

When these vacancies are filled, they should be filled by suitably qualified and experienced persons who will bring value to the Municipality and improve service delivery.

(c) Former City Manager investigation outcome report

The Committee should request to be favoured with the outcome of the investigation that was commissioned by Council relating to the previous City Manager (Adv. Tankiso Mea) to be able to advise Council appropriately where necessary.

Me Kaota (Audit Committee Members) suggested the following recommendation for inclusion in the Audit Committee Report to Council;

(d) Capacitating IDP and Organisational Performance Unit

The Committee should note with concern the inadequate capacity within the IDP and Organisational Performance Unit. From the reports presented before the Committee by Management, it was indicated that the Unit consist of only two officials and one administration officer. It is the view of the Committee that, for this Unit to be fully functional and effective, capacity need to be increased by capacitating the unit amongst others with qualified persons in the Performance Management and the Monitoring and Evaluation sections of this unit, as this will assist the Municipality to produce quality performance reports and improve its audit outcome / opinion.

The Committee have since advised Management to do a benchmarking exercise with other Metros of the same size as Mangaung Metro. The Committee is still awaiting the report on such an exercise from Management.

The Audit Committee Chairperson suggested the following recommendations for inclusion in the Audit Committee Report to Council;

(e) Investigations of Irregular Expenditure

The Committee is still concern about the slow pace at which executive management is addressing irregular expenditure of previous financial years as this will negatively affect the effectiveness of MPAC as well as the next audit outcomes of the Municipality. Management should ensure that investigations of irregular expenditures as requested by MPAC are finalised as matter of urgency and reports are submitted to Council for processing before the end of this financial year (30 June 2022).

(f) Financial Position

Overtime cost is still excessively high and therefore, the Committee recommends that Council should support EMT in implementing strict measures to manage overtime effectively.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) suggested the following recommendation for inclusion in the Audit Committee Report to Council;

(f) Implementation and monitoring of the Unauthorised, Irregular, Fruitless and Wasteful Expenditures (UIF&WE) Reduction Plan

To ensure effective implementation of the (UIF&WE) Reduction Plan, the Committee should recommend that the implementation of this plan be closely monitored monthly by the Executive Management Team of the Municipality and quarterly by the Audit Committee, MPAC and Council. The City Manager should submit quarterly reports on the implementation of this plan to all these structures (i.e. the Audit Committee, MPAC and Council) for monitoring purposes.

5. CLOSURE

The Audit Committee Chairperson extended his gratitude towards management for their participation in this meeting. The Chairperson also thanks colleagues from National Treasury and Auditor- General for participating in this meeting, the engagements were quite fruitful as this

will assist the municipality to maintain the current unqualified audit opinion and to improve. The Municipality has a huge task ahead in terms of mitigating risks that the municipality is confronted with, which includes financial constraints amongst others.

The Audit Committee Chairperson then closed the meeting at 03h15.

Approval of minutes

A handwritten signature in black ink, appearing to read 'MNG Mahlatsi', is written over a horizontal dotted line.

Mr. MNG Mahlatsi
(Audit Committee Chairperson)

AUDIT COMMITTEE MINUTES

7 JUNE 2022

MANGAUNG METROPOLITAN MUNICIPALITY

AUDIT COMMITTEE ORDINARY MEETING MINUTES NO. 07/2021-22/77 HELD ON MICROSOFT TEAMS (VIRTUAL)

Date: 7 June 2022 (Postponed from 20 May 2022)

Time: 11h00

1. OPENING

1.1 Welcome

Me Lebenya (Acting Audit Committee Chairperson) welcomed all attendees and informed the meeting that the Audit Committee Chairperson (Mr Mahlatsi) is not available and therefore members have nominated her (Me Lebenya) to chair the meeting.

1.2 Attendance and apologies

The following members were in attendance;

Audit Committee members:

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

Mangaung Metro Municipality:

- Mr. E Maseko (National Cabinet Representative)
- Mr. T Sediti (Interim Acting Chief Financial Officer (CFO))
- Mr. W Mcleod (Interim Acting HOD: Engineering Services)
- Me. N Dumalisile (Interim Acting HOD: Human Settlements)
- Mr. I Kgamanyane (Executive Head: Mangaung Metro Police)
- Me. M Mototo (Chief Risk Officer)
- Mr. GA Ntsala (GM: Internal Audit (CAE))
- Mr. M Mothekhe (GM: IDP and Organisational Performance)
- Mr. F Molaba (GM: Supply Chain Management)
- Mr. H van Zyl (Acting GM: Strategic Support - Finance)
- Me. T Sitishi (GM: Accounting and Reporting)
- Me. B Moiloa (Acting GM: Revenue Management)
- Mr. L Rampai (Manager: Internal Audit)
- Me. T Matthews (Manager: Internal Audit)

- Mr. PP Tsotetsi (Acting Chief Technology Officer)
- Mr. A Jenkinson (Acting Manager: ICT)
- Me. F Moeng (Scriber)
- Me. A Schmidt (Scriber)

Auditor General:

- Me. S Steenbok (Senior Manager: AGSA)
- Mr. B Boshoff (Manager: AGSA)

National Treasury:

- Mr. T Selemale (Accounting and Auditing Advisor (National Treasury))

Apologies received from:

- Mr. MNG Mahlatsi (Audit Committee Chairperson)
- Mr. T Motlashuping (Acting City Manager)
- Me. I Goosen (Manager: AGSA)

The Acting CFO tendered an apology on behalf of the Acting City Manager and National Cabinet Representative as they will join the meeting late due to an urgent meeting with the Speaker of Council.

The Acting Audit Committee Chairperson noted the apology from the Acting City Manager and National Cabinet Representative.

The Acting HOD: Human Settlements then requested to be excused from the meeting at 12h30 to attend to an urgent work related meeting at 13h00.

The Acting Audit Committee Chairperson noted the Acting HOD Human Settlement's request to be excused from the meeting at 12h30.

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 Acting Audit Committee Chairperson then afforded the Chief Risk Officer an opportunity to make an input on the agenda.

The Chief Risk Officer requested to add Disciplinary Board under item number 4 (General), for discussion.

The Acting Audit Committee Chairperson noted the request from the Chief Risk Officer for an addition (Disciplinary Board) under General of the agenda and then afforded the GM: Internal Audit (CAE) an opportunity to speak.

The GM: Internal Audit (CAE) indicated that no updated progress in resolving the Audit Committee resolutions / matters have been received due to instability in the previous management team and subsequent appointment of an Interim Management Team (IMT) recently. The GM: Internal Audit stated that discussion on this matter will not be productive and therefore suggested that item number 2.2 (List of matters arising/resolutions) be deferred to the next Audit Committee to allow the newly appointed IMT and opportunity to familiarise themselves with the resolutions / matters which will enable the IMT to present progress at the Committee's next meeting, unless the IMT feels confident to provide progress on the implementation of resolution / matters in this meeting.

The Acting Audit Committee Chairperson then requested IMT whether they are confident to present progress on agenda item number 2.2 (List of matters / resolutions arising) or whether the item should be deferred to the next meeting.

The Acting CFO, on behalf of IMT, requested that agenda item number 2.2 (List of matters / resolutions arising) be deferred to the next Audit Committee meeting to allow IMT to familiarise themselves with list of matters arising / resolution. Progress will be provided to the Committee in its next meeting.

The Committee then approved the deferral of item number 2.2 (List of matters / resolutions) to the next meeting and adopted the agenda with an addition under agenda item number 4, i.e., the Disciplinary Board under agenda item number 4 (General).

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

The Acting Audit Committee Chairperson noted that the Acting City Manager will brief the Committee on matters of importance when he joins the meeting.

The GM: Internal Audit (CAE) stated that matters of importance from his side have already been dealt with, i.e., the Municipality is now under national intervention and an Interim Management Team have been appointed. The acting City Manager will brief the Committee when he joins the meeting.

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

2.1 Minutes of meeting 09 February 2022

The Audit Committee resolved to approve the minutes.

2.2 List of matters arising/resolutions

Deferred to next Audit Committee meeting. Refer to agenda item number 1.4 for details of discussions.

3. ITEMS FOR DISCUSSION

3.1 ICT Status Report

The Acting Audit Committee Chairperson then afforded the Acting Manager: ICT an opportunity to present the ICT Status Report.

The Acting Manager: ICT presented the ICT Status Report, indicating following;

Most matters on the ICT Status Report relates to ICT policies not been implemented or policies that are outdated. Some policies have now been updated and approved by Council. ICT is currently awaiting the sitting of the ICT Steering Committee meetings to ensure other policies are reviewed and finalised, as this needs to be done annually before policies can be submitted to Council for approval / ratification.

The Acting Manager: ICT further noted with concern, many ICT positions are still vacant, especially the Chief Technology Officer and all Managers positions. ICT is currently liaising with management to finalise advertising and filling of these positions.

The Acting Audit Committee Chairperson noted the progress reported on the ICT Status Report and enquired why the ICT Steering Committee is not sitting.

The Acting Manager: ICT responded that logistics and coordination of the ICT Steering Committee sittings is the responsibility of the City Manager's office.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) then enquired how the ICT unit is operating in the absence of standard operating procedures?

Me Mdaka (Audit Committee Member) further enquired whether any progress was made in resolving ICT related findings since 26 January 2022, as the ICT Status report is dated 26 January 2022.

The Acting Manager: ICT responded that ICT policies addresses standard operating procedures i.e., the implementation of the Security Policy for example, entails standard operating procedures depending on the matter at hand. The Server Room Policy for example, contains standard operating procedures as an addendum to the policy.

The Acting Manager: ICT then indicated that the ICT Status Report was last updated on 13 May 2022 and not 26 January 2022 as per the heading on the report. There has been progress between 13 May 2022 to date, for example the ICT Team has successfully procured new data centre servers to replace aged infrastructure. Also the ICT team together with Facilities Management are in the process of rectifying electrical challenges occurring in the server room.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) encouraged management to fast-track the process of appointing the Chief Technology Officer.

The Acting Audit Committee Chairperson concurred with Mr Selemale that the Chief Technology Officer should be appointed as a matter of urgency. The end-user department (ICT) should advice the Office of the City Manager in terms of what should happen to ensure ICT Steering Committee meetings convene.

Me Mdaka (Audit Committee Member) noted with concern that the ICT Status Report do not reflect due dates by when ICT related matters will be resolved.

The Acting Audit Committee Chairperson concurred with Me Mdaka that due dates are crucial to ensure effective monitoring of implementation of actions to resolve findings raised by AGSA.

Mr. T Selemaile (Accounting and Auditing Advisor (National Treasury)) then requested the GM: Internal Audit (CAE) to share the audit process followed and reports issued on the review of the Audit Action Plan.

The Acting Audit Committee Chairperson noted the request of the Mr Selemaile and the GM: Internal Audit's commitment to submit the requested information to Mr. Selemaile.

3.2 Risk Management Reports

The Acting Audit Committee Chairperson then afforded the Chief Risk Officer an opportunity to present the Risk Management Reports.

The Chief Risk Officer presented the Risk Management Reports, highlighting the following;

(A) Risk Management Monitoring Report – First Quarter of 2021/22 Financial Year

Developments within the City

During the quarter the acting City Manager established the following transversal teams in order to mitigate risks relating to service delivery and financial health:

- Overtime
- City Cleanliness
- Revenue Enhancement
- Patching of Roads/Potholes
- Status of the Zoo

The City has been challenged with continued service delivery unrests and disturbances by officials of the municipality as it relates to overtime payments. Management has been able to manage and contain these challenges as and when they occur.

To date these transversal teams had not sat mainly due to frequent changes in acting City Managers.

(B) Risk Management Monitoring Report – Second Quarter of 2021/22 Financial Year

Emerging and Materialized Risks

The emerging risk that the City needs to pay attention to is the risk of non-compliance with the POPI Act. This risk has been included in the risk register under Legal Services together with its mitigation strategies that will be monitored on quarterly basis

The City is still challenged with continued service delivery unrests and disturbances by officials of the municipality as it relates to overtime payments. Furthermore, financial constraints, revenue under-collection, non-payment of service providers within 30 days, inadequate resources (high vacancy in key positions, inadequate printing services and fleet amongst others) are major issues as it relates to service delivery exacerbated by financial constraints.

As reported in the first quarter on the transversal teams established by the Acting City Manager, these teams have not been functional since their establishment as no reports have been submitted or discussed in the EMT. The Risk Management unit has also observed that most of other administrative committees within the City have not been functioning for a while such as ICT Steering Committee, Overtime Committee, amongst others. Furthermore, directorates do not hold directorates/sub-directorate meetings and when they, do risk management is not part of their agenda. As it relates to COVID-19, though the country is at level 1 the City is still operating on rotational schedules in some directorates or work from home. In some Directorates this has had a negative impact on their performance.

(C) Risk Management Monitoring Report – Third Quarter of 2021/22 Financial Year

Risk Governance Process

The risk governance processes relate to the policy, strategy and governance structure and terms of reference aimed at ensuring that these risk governance process remains aligned to the improvement of good corporate governance practices and enterprise risk management. The Risk Management Committee (RMC) has held three meetings for the year in order to execute its mandate as per the Terms of Reference. The Risk Management Strategic documents for 2021/22 have been approved and the reviewed Policy has been submitted to the Accounting Officer for Council approval. The three year term of office of the Risk Committee ends on the 30th of June 2022.

Progress In Terms of The Risk Management Implementation Plan

The following matters remains unresolved as follows;

Planned Activity	Time Frame/ Due Date	Responsible Official	Output	Progress	Comments
8. Drafting of individual key risk indicators for the top risks.	September 2021	HODs CRO	Analysis report of key risk indicators.	Overdue	Risk Committee confirmed the top 10 risks in its meeting of the 16/02/2022. Due to organizational disruptions and end of HODs contracts the process has not started.
Risk Committee confirmed the top 10 risks in its meeting of the 16/02/2022. Due to organizational	As and when required	CRO	Approved progress reports presented to various stakeholders	Ongoing	Third quarter of 2021/22FY risk monitoring report has been finalized.

disruptions and end of HODs contracts the process has not started.			at various intervals.		
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Summary on the review of the level of implementation of the mitigation strategies

Third quarter operational risk mitigation action plans were monitored with a due date of the 14th of April 2022 for submission by directorates/sub-directorates. This timeline was further extended to the 20th of April 2022.

The following sub-directorates did not submit inputs on the progress made in implementing their planned mitigation action plans for the quarter: IGR, Knowledge Management, Committee Services, Legal Services, HRM, HRD, ICT, Labour Relations, Occupational health & Safety, Accounting & Compliance, Roads & Storm Water, SMMEs, Rural Development, Marketing & Investment Promotions, Tourism and Disaster Management.

Most of the Directorates did not provide feedback on implementation of strategic risks mitigation action plans for the quarter.

Overview of Implementation of Risk Mitigation Strategies for Quarter 1 to 3 of 2021/22 Financial Year:

There's a regression in implementation of mitigation strategies in the third quarter as a result of non-submission of information by the sub-directorates. Majority of the risk mitigation action plans implemented did not reduce the risks to a tolerant level and most of the risks have occurred. Management (HODs) needs to pay attention to those sub-directorates that are not actioning their quarterly risk mitigation strategies and furthermore, not responding to the Risk Management unit.

Emerging and Materialized Risks:

The emerging risk that the City and the world is facing relates to the ongoing conflict between Russia and Ukraine which gives rise to both political and economic disruptions. The economic risk specifically is impacting negatively on businesses depending on gas and this will give ripple effect to the City's finances as it relates to increased costs inflicted by service providers and reduced revenue collection as it relates to increased cost of living on the residents. Management needs to pay attention to this risk and consider mitigation strategies to manage the risk.

The City is still challenged with continued service delivery unrests by community members and disturbances or close of main municipal building by officials of the municipality. These incidents have a negative psychological effects and safety worries on the employees of the municipality, over and above the financial loss the City experiences when officials can't execute their duties or the community members aren't able to pay for services.

The City is still battling in ensuring regular waste collection, fixing of potholes and roads, cleaning of parks and cemeteries and maintenance of aging infrastructure. Compliance with payment of service providers within 30 days is still a challenge and this will contribute to the increase in fruitless and wasteful expenditure. Though the City has employed Public

Employment Programme (PEP) personnel, there's still a high vacancy rate in the City that is coupled with allegation of ghost employees which needs to be investigated.

The municipality's negative reputation has worsened within the quarter as there's been a growing tendency of circulation of municipal confidential documents on social media platforms as well as circulation of a violent video recording involving municipal officials in the municipal building. Management must deal swiftly with these incidents which purports to disregard employee code of conduct.

Furthermore, on the 06th of April 2022 the Cabinet approved national government intervention in Mangaung Metro Municipality and the City was placed under section 139(7) of the Constitution read in conjunction with section 150 of the MFMA and section 154 of the Constitution.

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

As indicated on paragraph 5.3 most of the City's risks are occurring and dealt with on a reactive basis instead of preventing the risks. Furthermore, risk management is not embedded in the operations of the City but its seen as a compliance matter. Management does not monitor and enforce consequence management when there's failure in the management of risks. Management must lead in implementation of risk management and set the tone at the top so that the officials can follow. As previously recommended, risk management must be a standing item on the agendas of management and directorate meetings.

The Acting Audit Committee Chairperson noted the Risk Management Reports as presented by the Chief Risk Officer and afforded members and attendees the opportunity to engage with the reports.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) enquired how impactful is the Mangaung Risk Management unit towards overall improvement of the Municipality, both financially and institutionally? And how satisfied are the Risk Management Unit with the mitigating factors crafted for the top risks identified for the Municipality?

The Chief Risk Officer responded that the Risk Management Unit is been overseen by 3 officials, one being in an acting position. Risk Management is the responsibility of each and every department within the Municipality, to ensure risks are being managed within their control.

The risk management reports do not reflect on the top 10 strategic risks within the municipality as there have not been responses in terms of mitigations and, operational risks are not managed effectively by the Municipality.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) then enquired how far the combined assurance framework is.

The GM: Internal Audit (CAE) replied that the combined assurance framework programme was championed by the then Acting DED: Operations within the Office of the City Manager who has since been moved to the Economic and Rural Development directorate. The programme is currently not progressing. The Acting City Manager will be briefed on this matter to ensure a champion is identified that will drive the programme.

The Acting Audit Committee Chairperson noted all inputs / response and further stated that if the Municipality address the risks identified, most challenges faced by the Municipality can be mitigated.

3.3 Audit Action Plan (Management and Internal Audit assessment)

The Acting Audit Committee Chairperson then afforded the Acting CFO an opportunity to present the Audit Action Plan (AAP).

The Acting CFO noted with appreciation the opportunity to present the AAP and further informed the Committee that he had little time to familiarise himself with the content of the AAP, as he was appointed on 28 April 2022 and immediately had to deal with the budget as a matter of priority, but at the same time not losing sight of the responsibility in monitoring the implementation of the AAP. The Acting CFO then indicated he will provide progress on high-level matters in the AAP, after which he will handover to finance officials from the Revenue Unit and the Accounting and Reporting Unit to present progress on other matters

The Acting CFO then informed the Committee that discussions were held with officials in Finance on certain issues that affects the AAP, and it was found that the Municipality did not do justice in addressing issues raised by AGSA. However, with the little time left, it is the hope of management to address those issues that are low hanging fruits, which will assist to obtain an improved audit outcome for the 2021/22 financial year.

The Acting CFO then indicated that some of the issues that will be addressed, are as follows;

- Completeness of disclosures: Issue relating to comparative figures to the financial statements will be addressed while finalising the Annual Financial Statements for the 2021/22 financial year.
- Limitations of scope: Starting this week management will address limitation of scope paragraphs / findings by gathering the relevant supporting information for the 2021/22 financial year.

The Acting CFO then stated to the Committee, that an opportunity to robustly engage other departments will be appreciated, to ensure findings raised by AGSA are addressed. He then handed over to the GM: Accounting and Reporting to present progress on other matters as per the AAP.

The Acting Audit Committee Chairperson then recognised the hand of the GM: Internal Audit and allowed him to speak.

The GM: Internal Audit (CAE) then requested this item to be deferred to the next Audit Committee meeting as well, to allow IMT to familiarise themselves with the AAP and provided proper feedback at the Committee's next meeting. The Report of Internal Audit on the review of the AAP will also show that nothing much has happened due to disruptions that happened in the Municipality.

The Acting Audit Committee Chairperson then allowed members to engage on the request of the GM: Internal Audit.

Me Mdaka (Audit Committee Member) supported the GM: Internal Audit's request for the deferral of the AAP to the next Audit Committee and further noted with concern that the 2021/22 financial years is almost over and management have not addressed most of the findings raised by AGSA.

The Acting Audit Committee Chairperson then supported the request from the Acting CFO and the GM: Internal Audit (CAE), i.e., the deferral of the AAP to the Committee's next meeting to allow IMT to familiarise themselves with the AAP.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) also expressed concern over the delay in addressing findings raised by AGSA. He further indicated that Internal Audit is in a good position to assist with the monitoring of the implementation of the AAP and therefore can provide feedback to the Committee, as well as advising management where findings were not properly addressed.

The Acting Audit Committee Chairperson noted the input from Mr Selemale and then afforded The GM: Accounting and Reporting to speak.

The GM: Accounting and Reporting stated though the GM: Internal Audit (CAE) supported the Acting CFO's request for a deferral of the AAP to the Committee's next meeting, she will however provide a brief summary of progress this far in addressing findings raised by AGSA.

The GM: Accounting and Reporting then indicated that the Accounting and Reporting unit collaborate with Internal Audit in monitoring the implementation of actions to address findings raised by AGSA. Some of the findings under Cash and Cash Equivalents, Commitments and Contingent Liabilities, have already been addressed during the audit by AGSA, as per the AAP. Findings relating to Employee costs are as a result of controls deficiencies relating to overtime and are in the process of been addressed.

The GM: Accounting and Reporting then stated, though challenges were experienced by the Municipality, attempts were made to address issues raised by AGSA. Currently Municipality is looking at addressing findings in preparation of the Annual Financial Statements. If new management provides proper attention to the AAP, most findings can be addressed.

The Acting Audit Committee Chairperson noted that some work has been done on the AAP in addressing findings raised by AGSA which gives comfort to the Committee. Furthermore, the Committee always advise the Municipality that the AAP should form part of Executive Management Team meetings, as well as MAYCO and Council sittings to ensure implementation of actions to address findings raised by AGSA are monitored on a continuous basis.

The Acting CFO agreed that the AAP should be standing agenda item on Executive Management Team meetings and further committed to drive the implementation of the AAP aggressively from the side of Finance, with the support of the Acting City Manager and National Cabinet Representative.

The Acting Audit Committee Chairperson noted the commitment by the Acting CFO to ensure the AAP will be aggressively driven and that the Committee expects feedback report at its next meeting.

3.4 Financial Reports

3.4.1 2021/22 Quarter 3 MFMA Section 52d Report (financial)

The Acting Audit Committee Chairperson then afforded the Acting GM: Strategic Support (Finance) an opportunity to present the 2021/22 Quarter 3 MFMA Section 52d Report (financial)

The Acting GM: Strategic Support (Finance) presented the 2021/22 Quarter 3 MFMA Section 52d 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 month of R6 115 469 million is higher than the year-to-date target of R6 017 960 million and the expenditure for the month is R5 796 731 million, which is higher than the year-to-date target of R5 585 246 million respectively.

The major operating expenditure variances against the adjustment budget are:

Overtime per Vote

The overspending on overtime to date is R61 694 million (Budget R61 838 million vs Actual R123 533 million). The overspending for the period to date on overtime will result in unauthorised expenditure in most of the votes.

Contract Services

Unfavourable variance of R72 036 million (-17%) due to underspending on other contracted services for the period and the implementation of cost containment measures.

Consultant Services

The actual spend on consultant services within the contracted services per vote are under-spend by R27 824 million (-28.97%).

Capital expenditure report

The year-to-date spending for the month is R557 318 million (61.49%) on the year-to-date budgeted target of R906 368 million. On an annual basis we have thus spent only R557 318 million (46.60%) of the year-to-date expenditure versus the adjustment budget of R1 195 936 million.

Grant performance to date

Grant Expenditure				
Description	Approved Budget 2021/22	March 2022 actual	Balance	Percentage spent
Neighbourhood Development Partnership Grant	10 000 000	7 060 102	2 939 899	70.60%
Public Transport Infrastructure & Systems Grant	163 505 326	70 733 799	92 771 527	43.26%

USDG	480 410 934	328 009 579	156 493 426	68.28%
Informal Settlement Upgrading Partnership	263 893 000	37 635 440	226 257 560	14.26%
Total financing	917 809 260	443 438 919	478 462 412	48.31%

Outstanding Debtors Report

The debtors balance as of 31 March 2022 is R8 222 801 million including unallocated credits of R357 912 million (31 December 2021 – R7 817 355 million including unallocated credits of R340 950 million), thus reflecting an increase of R405 446 million (4.93%) for the period.

The Acting Audit Committee Chairperson noted the presentation of the 2021/22 Quarter 3 MFMA Section 52d Report (financial) and afforded members / attendees an opportunity to engage on the report.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) noted with concern the excessive overspending on overtime and enquired what measures do the Municipality have in place to maintain control over overtime.

The Acting CFO responded that management is concern over the issue of overtime and have tried to fight the abuse of overtime in the past month, in an effort to bring overtime under control. Measures to curb overtime spending were not effective. Pre-approval of overtime will be encouraged, as well as the reduction of overtime to the legislative norm of 40 hours per month. Employees are not cooperating however, management is determined to continue fighting to bring overtime under control or to acceptable levels as per overtime legislations and policies.

The National Cabinet Representative (NCR) concurred with the Acting CFO and indicated that the Acting HOD: Corporate Services and Acting CFO have been requested to perform a month to month comparison of overtime to check whether a financial saving is made, which will show whether measures to curb overtime are effective. Matters that contribute to excessive overtime are high vacancy rate and lack of fleet / equipment, amongst other.

The NCR further stated that the Municipality runs the risk of litigations relating to issues of health and safety, if found that official/s injured at work, for example, was working overtime hours in excess of the legislative threshold.

The NCR further informed the Committee that the IMT is being harassed and humiliated by employees and taken into halls to explain why overtime is not paid, however, IMT will not relent in the fight to curb overtime spending to ensure compliance with law.

The NCR then informed the Committee that IMT was briefed by the Hawks on overtime investigations that are currently underway.

Management will share figures for overtime spending in terms of how much was paid in the previous month vs current month, to determine whether overtime spending is increasing or decreasing.

The Acting Audit Committee Chairperson noted the responses from the NCR and Acting CFO and their commitment to curb overtime. The Committee appreciate the commitment by the NCR to submit a report on overtime spending reflecting comparative figures, i.e., previous month vs

current month figures, to determine whether there is improvement. Management should look into the Overtime Committee that was established by the previous Acting City Manager as way of assisting IMT, i.e., enquire on their Overtime Committee's Terms of Reference and possible recommendations made to assist with overtime issues.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) enquired as to how provisions for internally generated funds are managed?

The Acting Audit Committee Chairperson enquired how the high vacancy rate are been dealt with?

The Acting CFO responded that cash coverage during April 2022 was less than a month. i.e., the Municipality did not have enough cash to carry itself through to the end of the financial year. Improvement in debt collection is needed to fund the Municipality's expenditures, especially CAPEX and OPEX projects / programmes funded through internally generated funds. A revenue collection drive is also needed to carry the Municipality through this month, with the emphasis on those government departments that owes the Municipality money.

The NCR responded that the process to identify all critical position is currently underway. Positions within departments responsible for critical basic service delivering services will be prioritised.

Excessive overtime cost is also caused by employees who are heavily indebted, some employees receive a net salary of less than R200 after all statutory deductions, including garnishee orders (loans, child support, several policies). As a result, these employees use overtime payments to compensate their salaries. Therefore, management is currently on a drive a provide employees counselling relating to debt, as well as alcohol abuse, amongst other.

The NCR further informed the Committee that the employer is required by the Occupational Health and Safety Act to medically assess employees who operate in cold weather conditions, bucket system toilets, septic tanks, waste collection etc, to determine medical intervention needed in terms of medical jabs at certain intervals. These medical assessments have not been done for the past 4 and a half years. Management needs to correct these things that contributes to employees erratic behaviours. The agreement with National Health Laboratory is currently being resuscitated to ensure compliance in terms of medical assessments for employees.

Furthermore, employees have not been receiving payslips for the past 4 months as the printing machine is broken. IMT was told that about R300 000 is needed to fix the printing machine. IMT then instructed officials to get the printing machine fix as it is illegal for employees to not receive payslips and which is also one of the things that angers employees. Printing of payslips were done last week, but not yet distributed as the machine is unable to seal the payslips. The Acting HOD: Corporate Services was requested to fold and staple the payslips in the meantime for issuing to the employees, whiles the element responsible for the sealing are being fixed / installed on the printer.

The Municipality needs to act fast to address these issues in order to mitigate any possible legal liabilities / financial implications.

The Acting Audit Committee Chairperson noted responses and encouraged management to rectify wrong things on the side of the Municipality in order to successfully curb excessive overtime.

3.4.2 2021/22 3rd Quarter SCM Quarterly Report

The Acting Audit Committee Chairperson then afforded the GM: Supply Chain Management an opportunity to present the 2021/22 Quarter 3 SCM Quarterly Report.

The GM: Supply Chain Management presented 2021/22 Quarter 3 SCM Quarterly Report, highlighting the following areas;

Bids Advertised during the Months January, February and March 2022;

January 2022	February 2022	March 2022
8	0	7

Awarded Bids for procurement above R200 000 during months January, February and March 2022

January 2022	February 2022	March 2022
14	19	2

Advertised written formal quotations for procurement between R30 000 – R200 000 during the months of January, February and March 2022.

January 2022	February 2022	March 2022
11	9	0

Awarded written formal quotations for procurement between R30 000 – R200 000 during the months of January, February and March 2022.

January 2022	February 2022	March 2022
3	4	0

Approved Panel System Procurement during the Months January, February and March 2022.

January 2022	February 2022	March 2022
0	6	13

Procurement of Goods and services through Section 15.8.3 of SCM Policy during the months January, February and March 2022 (Fleet related maintenance and services)

January 2022	February 2022	March 2022
22	20	5

Procurement of Goods and Services through 15.8.3 Of Supply Chain Management Policy during the months January, February and March 2022 - Logistics Management (Indigent burials)

January 2022	February 2022	March 2022
32	25	14

Deviations from normal SCM Procurement processes during the month January, February and March 2022

January 2022	February 2022	March 2022
0	0	0

Monthly Stock Taking Values are follows;

- January 2022: R3 643 188.08
- February 2022: R3 848 657.92
- March 2022: R3 819 546.94

The Acting Audit Committee Chairperson noted the 2021/22 Quarter 3 SCM Quarterly Report and afforded members and attendees to engage on the report.

Mr Selemale (Accounting and Auditing Advisor (National Treasury)) enquired the following

- Do the Municipality have a Procurement Plan?
- What methodology used to appoint service providers from the panel system?
- How many deviated appointments at any given time was classified as irregular expenditure?
- What internal control measures are in place at SCM to manage irregular expenditure increases?

The Acting Audit Committee Chairperson enquired whether any queries were raised by AGSA on the panel system procurement?

The GM: Supply Chain Management respond as follows;

- The Municipality do have a procurement plan that was approved by the Accounting Officer as required by law and is reviewed on a quarterly basis. Cases were found where some items procured are not on the procurement plan, which require a review of the plan to cover those items.
- The SCM policy is clear on the processes that needs to be followed for panel system procurements. Appointments are made on a rotational basis based on points scored by the service provider during the bid process, as well as the value of the goods/services required, to ensure fair allocation.
- No AGSA queries have been received on the panel system procurement.
- Controls are in place for a deviation to be considered and are assessed in terms Regulations 36. After all controls measures have been implemented, recommendations are made to the Accounting Officer through the CFO for approval.
- AGSA has queried only one deviation out of all the deviations in the previous financial year. Deviations are disclosed on the AFS and recorded on the deviations register. Not many irregular expenditures are identified through deviations.

The Acting Audit Committee Chairperson noted the response from the GM: Supply Chain Management.

3.4.3 2020/21 Quarter 4 SCM Quarterly Report

The Acting Audit Committee Chairperson then afforded the GM: Supply Chain Management an opportunity to present the 2020/21 Quarter 4 SCM Quarterly Report.

The GM: Supply Chain Management presented 2020/21 Quarter 4 SCM Quarterly Report, highlighting the following;

Items were identified during the month June 2021 which are obsolete/ redundant and damages. These items have been reported to Council for approval, which will be disposed of through an auction process.

The Acting Audit Committee Chairperson noted the presentation of the 2020/21 Quarter 4 SCM Quarterly Report and requested management to provide the Committee with feedback on the disposal of the items identified as obsolete/ redundant and damages, at its next meeting.






3.5 2021/22 Quarter 3 SDBIP Progress Report

The Acting Audit Committee Chairperson then afforded the GM: IDP and Organisational Performance an opportunity to present the 2021/22 Quarter 3 SDBIP Progress Reports.

The GM: IDP and Organisational Performance presented the 2021/22 Quarter 3 SDBIP Progress highlighting the following;

The SDBIP for 2021/2022 has identified 290 projects/programmes for implementation by the city. Furthermore, the city will be reporting on 56 Circular 88 indicators as legislated by both National Treasury and COGTA.

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. However, challenges regarding the submissions by departments is still experienced and this delay compromises the verifications and quality assurance of the submitted reports, which results to late submission to council.

Level	%Score	Terminology	Total	%	Status
5	130+	Outstanding Performance	19	7	
4	101% - 130%	Performance Significantly Exceeds Expectations	21	7	
3	100%	Target Met	61	21	
2	50 – 99%	Performance Below Expectation – with progress being made	64	22	
1	0 – 49%	Unsatisfactory Performance	91	31	

-	-	Projects not yet due and to be rolled over to the next quarter	34	12	✗
Total			290	100	

Mangaung Indicators

The performance in the third quarter report shows that the Council is progressing at 35% (101) – projects/services with reference to optimal functionality and effectiveness of user departments performing outstandingly, significantly exceed and fully effective on the set targets. Furthermore, 22% (64) – projects/ services shows that user department have performed below expectation – with progress being made. There is a worrying performance in relation to 31% (91) – projects/services that registered unsatisfactory performance, and further 12% (34) – projects to be rolled over to the next quarter.

Circular 88 Indicators

The performance in the third quarter report shows that the Council is progressing at 29% (16) – projects/services) with reference to optimal functionality and effectiveness of user departments performing outstandingly, significantly exceed and fully effective on the set targets. Furthermore, 18% (10) – projects/ services) shows that user department have performed below expectation – with progress being made. There is a worrying performance in relation to 39% (22) – projects/services) that registered unsatisfactory performance, and further 14% (8) – projects to be rolled over to the next quarter.

The Acting Audit Committee Chairperson noted presentation of the 2021/22 Quarter 3 SDBIP Progress Report and enquire on factors that contributed to the decrease in terms of implementation of Engineering Services projects?

The GM: IDP and Organisational Performance responded that Engineering Services cited budget cuts as the main factor but also delays in the appointment of services providers.

The Acting Audit Committee Chairperson noted the response from the GM: IDP and Organisational Performance and then afforded members and attendees and opportunity to engage on the report.

Mr. T Selemale (Accounting and Auditing Advisor (National Treasury)) enquired about the identification and prioritisation of the revenue generated projects within the Municipality and the performance thereof. Furthermore, which service delivery projects under Engineering Services are not performing, especially those services that helps generate revenue in the process.

The GM: IDP and Organisational Performance responded that the Quarter 3 SDBIP Progress Report contains a breakdown of projects / programmes and their individual performance however, as the GM: Internal Audit have indicated earlier, it would not be fair to expect the newly appointed acting HODs to speak on the Quarter 3 performances as they were only appointed in April 2022.

The Acting Audit Committee Chairperson noted the response from the GM: IDP and Organisational Performance.

The Acting Audit Committee Chairperson then afforded the GM: Internal Audit (CAE) an opportunity to present the 2021/22 3rd Quarter Internal Audit Progress Report.

The GM: Internal Audit (CAE) presented the 2021/22 3rd Quarter Internal Audit Progress Report, highlighting the following areas;

Introduction

In accordance with the requirements of section 165(2)(b) of the Municipal Finance Management Act which requires the internal audit unit of a municipality to amongst other things, report to the Audit Committee on the implementation of the internal audit plan, the Unit submits its report to the Audit Committee for consideration.

Purpose and Scope

The purpose of this report is to provide feedback to the Audit Committee in line with the provisions of the Municipal Finance Management Act and the Institute of Internal Auditors' Standards on the implementation of the 2021/22 approved internal audit plan and any other work performed by internal audit during the period under review.

Executive Summary Report

We report that nine (9) of the eleven (11) audit assignments scheduled for quarter three were completed. The remaining outstanding two (2) reports will be finalised during the fourth quarter of the financial year. During this quarter, nine (9) internal audit reports were issued to management. The nine (9) reports are still to be finalised as we are still pursuing management to provide responses to these reports/evaluating management comments received.

Administrative Support To The Audit Committee

During the period under review, the Unit has successfully coordinated the holding of the following Audit Committee meeting;

- Audit Committee Meeting No. 06/2021 22/76 held on 9 February 2022

The Unit also assisted the Audit Committee with the compilation of the Mid-year Audit Committee Report for 2021/22 Financial year. The report served in Council on 15 March 2022 and Council took a resolution to refer the report to MPAC for processing.

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, Ms F Moeng, Ms P Leepile, Ms K Tshabalala, Ms V Mohlahle, Ms N Makwaba and Mr N Tekane attended a virtual training on the FMCMM, financial ratios and audit action plan web enabled system on 19 January 2022.

- Mr G Ntsala, Mr L Rampai, Ms A Schmidt, Ms T Matthews, Ms F Moeng, Ms P Leepile, Ms K Tshabalala, Ms V Mohlahle, Ms N Makwaba and Mr N Tekane attended a virtual NT GRAP Training session hosted by National Treasury on 26 and 27 January 2022.
- Mr G Ntsala, Mr L Rampai, Ms A Schmidt, Ms T Matthews, Ms F Moeng, Ms G Sutil, Ms P Leepile, Ms K Tshabalala, Ms V Mohlahle, Ms N Makwaba and Mr N Tekane attended a virtual NDM CFO Forum hosted by National Treasury on 29 March 2022

No formal training courses/ workshops were attended by internal audit staff due to budget constraints on training and development.

Challenges

Resources Limitations

The Unit staff is still experienced resource challenges to work remotely. However, despite the resource challenges, the internal audit staff made efforts to ensure that service delivery is not negatively affected by using their own resources like data and airtime.

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 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.

Volatile working environment

The work of internal auditors is reliant on the availability of auditees and information. During the period following the return-to-work directive issued on 8 March 2022, where employees were requested to physically return to their respective offices by the 10th of March 2022, disruptions to operations occurred from the 11th of March 2022 to the end of March 2022, with several days restrictions to access of the Bram Fischer building and subsequently to relevant auditees and information. As a result, about two (2) audit assignments scheduled for the quarter under review could not be finalised and had to be deferred to the next quarter.

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 with appreciation the presentation of the 2021/22 3rd Quarter Internal Audit Progress Report and afforded members and attendees and opportunity to engage on the presentation.

Me Kaota (Audit Committee Member) acknowledged the report as a true reflection of the support that Internal Audit provides to the Committee and other issues raised. It is the hope of Committee that IMT will address shortage of resources within Internal Audit.

The Committee then approved the 2021/22 3rd Quarter Internal Audit Progress Report

3.7 Audit Committee briefing report to the Interim Management Team (IMT)

The Acting Audit Committee Chairperson then requested the GM: Internal Audit (CAE) to present this item on behalf of the Committee.

The GM: Internal Audit (CAE) presented the Audit Committee briefing report to the Interim Management Team (IMT), as follows;

Audit Committee Composition

- AC comprises of four (4) members (3 women and 1 male);
- All four members possess a blend of skills mix for optimal performance of the Committee;
- Council still to appoint the 5th member;
- Term of the Committee expires on 28 February 2023, all four members are on their 2nd term

Audit Committee Functionality

The Committee is functional

- For 2020/21, AC issued 3 reports to Council
- For 2021/22, AC issued 1 report to Council (covering Q1 and Q2)
This report served in Council on 15 March 2022)

Internal Audit Unit Staff Complement

- IA consists of 11 staff members (1 GM, 3 Managers, 5 Senior Internal Auditors and 2 Internal Auditors);
- All IA Staff are registered members of the Institute of Internal Auditors and possesses the required qualifications and skills;
- IA still to acquire ICT and Infrastructure Projects audit skills

Internal Audit Functionality

IA Unit is functional

- IA operates in terms of the approved Internal Audit Charter and approved risk based Internal Audit Plan;
- AG is placing reliance on the work of our IA Unit
- For the past 3 financial years, the Unit has been assisting AG with Employee Verification audits to the satisfaction of AG.

Performance for past 3 financial years;

- 2018/2019 completed 37 audit assignments and issued IA Reports against annual target of 26
- 2019/2020 completed 26 audit assignments and issued IA Reports against annual target of 26
- 2020/2021 completed 36 audit assignments and issued IA Reports against annual target of 30
- Current financial year performance

As on 31 March 2022 completed 25 planned audit assignments against annual target of 30 and issued audit reports

Important AC Matters still to be finalized

The Committee want to bring to the attention of IMT the following matters of importance that still need to be finalized

1. Implementation of the following **Council Resolution** 125.3 dated 28 July 2021 on the Audit Committee Report to Council dated 22 May 2019 (***Audit Committee preliminary report to Council/Executive Mayor / Speaker/ Chair of MPAC on the review of the acting appointments and allowances and temporary appointments***)
 - (a) All acting appointments that has continued for a period of more than six (6) months should be terminated with immediate effect.
 - (b) That where there are compelling reasons to consider acting appointment in a position, written motivations should be submitted to the Executive Mayor by the City Manager for concurrence.
 - (c) That all cases mentioned under findings 3.2 to 3.5 of the report should be subjected to a forensic investigation and the outcome of this investigation be submitted to the Audit Committee for further handling/ processing prior submitting a final report to Council in this regard.
 - (d) That all temporary appointments on extensions should be terminated immediately.
 - (e) 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 following due processes of appointments.
 - (f) That the positions of General Managers Strategic Support in the HOD's Offices and 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.
 - (g) That positions of Senior Secretaries be phased out with immediate effect and remain with the 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 effected, considering their qualifications, experience and expertise.
2. Implementation of **Council resolution** item 125.4 of 28 July 2021 on Audit Committee report to Council dated 5 February 2021

Financial Position

- (a) The matter of the intercompany transactions between the Municipality and Centlec (payment of dividends by Centlec) need to be resolved and addressed as a matter of urgency for enhancement of the municipality's finances. Where Centlec must pay any agreed upon monies to the municipality, such monies should be paid by Centlec at the agreed dates and both Accounting Officers should ensure that any agreements entered between the two institutions, are honoured.

- (b) Debt collection drive of the municipality needs to intensify to ensure that all monies owed to the municipality by residents, government and business are recovered for the improvement of the municipality's finances.
- (c) The municipality should consider consolidation of customers' accounts (i.e. water, electricity, rates and taxes and other services together in one account) for improved and efficient debt collection drive of the municipality.
- (d) The dispute between the municipality and BloemWater need to be resolved for good as a matter of urgency to bring stability into the water supply of the municipality and for efficient and better management of municipal debt to BloemWater. The Municipal Manager should drive this process and provide quarterly reports to both the Audit Committee and Council on progress made in this regard

Performance Management and Evaluation

- (a) The development of the municipality's performance management system should be expedited to ensure that it gets implemented before end of the financial year, latest by the beginning of the new financial year;
- (b) The performance of the Municipal Manager and his team of Heads of Departments should be assessed on a quarterly basis in terms of the provisions of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to municipal managers, of 2006.

Service Delivery

The Committee recommends that, Council should establish a Committee of Enquiry to establish the root causes to poor service delivery that is being witnessed on the ground. This Committee should comprise of Members of MPAC and the Provincial Executive Committee Representative Team deployed to the City. The scope of investigation of this Committee of Enquiry should *inter alia*, include but not limited to the following;

- Delays in the Municipality's SCM processes which also has a negative impact on services delivery,
- Non-completion and or delays in completing infrastructure projects,
- Projects Management capabilities of the municipality,
- Delays in refuse removal (what are the causes),
- Non-fixing of potholes and or delays thereof,
- No-marking of municipal roads (what are the reasons),
- Consequence management or lack of,
- Any other matter Council would want this Committee to investigate.
- The report of this Committee should also include the recommendations to Council on what steps should be taken to remedy the situation.

Information Communication and Technology (ICT) Environment

The Committee is concerned about the vacuum existing at the ICT Department of the Municipality. The vacant position of the Chief Technology Officer (CTO) should be filled as a matter of urgency by appointing a fully qualified person to lead the ICT Department of the municipality.

Auditor General findings

The Committee recommends that, the Accounting Officer and his Departmental Heads should take findings raised by Auditor-General serious and dedicate time and develop plans to eliminate findings raised by Auditor-General on a sustainable manner.

The Audit Action plan should be a standing item on Executive Management Team meetings. The Municipal Manager should report on a quarterly basis to both the Audit Committee and Council on progress made to eliminate Auditor-General findings and control weaknesses found.

Risk Management

The Committee, recommends that, all Heads of Departments should have Key Performance Indicators of managing risks within their Departments in their Performance Agreements and their performance on risk management should be assessed as part of their overall performance assessments.

Implementation of Internal Audit and Audit Committee recommendations

For any internal control environment to improve, management of that environment should implement recommendations made by its internal auditors who are internal control experts.

CONCLUSION

Committee remain committed in discharging its responsibilities until end of term in February 2023. Committee requires the support and cooperation of IMT to be effective in fulfilling its mandate. The Committee wish IMT well and advise IMT not to be derailed by politics of MMM in fulfilling its mandate from National Cabinet in line with section 139(7) of the Constitution of the Republic of South Africa.

The Acting Audit Committee Chairperson noted with appreciation the presentation of the Audit Committee briefing report to the Interim Management Team (IMT) by the GM: Internal Audit (CAE).

4. GENERAL

4.1 Disciplinary Board

The Acting Audit Committee Chairperson then afforded the Chief Risk Officer an opportunity to present this item, Disciplinary Board.

The Chief Risk Officer informed the Committee that Council in its meeting of 12 May 2022, after considering the report that the previous Disciplinary Board term of office has expired, resolved to appoint a new Disciplinary Board for the next coming 3 years to investigate the allegation of financial misconduct. As part of the resolution a member of the Audit Committee should form part the Disciplinary Board membership.

Therefore the Audit Committee is requested to nominate a member that will serve on the Disciplinary Board. Me Mdaka has served on the board previously.

The Acting Audit Committee Chairperson then allowed Me Kaota to speak.

Me Kaota (Audit Committee Member) nominated Me Mdaka to serve again on the Disciplinary Board.

The Acting Audit Committee Chairperson then enquired whether the process allows for the member that served on the board in the previous term, to serve again on the new term.

The Chief Risk Officer responded that the process does not allow or disallow therefore she thinks it will still be fine if Me Mdaka accepts the nomination.

The Acting Audit Committee Chairperson seconded the nominations

Me Mdaka (Audit Committee Member) then accepted the nomination to serve on the Disciplinary Board.

5. CLOSURE

The Acting Audit Committee Chairperson then closed the meeting at 02h43.

Approval of minutes



PP, Me. TPM Lebenya
(Acting Audit Committee Chairperson)

AUDIT COMMITTEE RESOLUTIONS

AUDIT COMMITTEE RESOLUTIONS

AUDIT COMMITTEE RESOLUTIONS FOR THE FINANCIAL YEAR 2020/21

Res No.	Meeting No.	Matter/Item Discussed	Resolution	Responsible person	Due date	Status	Progress Report	Number of times served before Audit Committee
9	01/2020-21/64 20 July 2020	2020/21 Internal Audit Plan (Functionality of Internal Audit under Lockdown Regulations)	<p>The Audit Committee Chairperson deferred the discussion on the functionality of Internal Audit under Lockdown Regulations to the next Audit Committee meeting.</p> <p>However, any developments / progress on state of readiness to ensure full functionality of the Internal Audit unit, before the next Audit Committee meeting, should immediately be reported to the Audit Committee.</p>	City Manager	28/08/20	Partially resolved	<p>Approval for internal auditors to work remotely from home in order to manage the risk of Covid-19 infections was granted by Management.</p> <p>The only matter that is still outstanding to enhance the effective functioning of Internal Auditors from home (remotely) is the provision of cell phone and data allowances.</p> <p>Application forms to part</p>	<p>28 August 2020 23 October 2020 9 February 2021 25 June 2021 13 August 2021 27 October 2021 9 February 2022</p> <p>(7)</p>

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							<p>take in the 3G scheme had been provided to Internal Audit staff in January 2022 and resubmitted to IT on 28 January 2022 for processing.</p> <p>Upon issuing the 3Gs to Internal Auditors, it was discovered that most of the Internal Auditors' laptops are old and not compatible with this new technology (3G) and therefore, they need to be replaced.</p> <p>Applications to replace old laptops have been submitted to ICT for consideration.</p>	
13	02/2020-21/65 28 August 2020	Strengthening / creation of additional capacity for the Audit Committee	(vi) Recommendation will be made to Council for the strengthening / creation of additional capacity for the Audit Committee	City Manager		Partially resolved	<p>The Acting City Manager indicated to the Committee on 13 August 2021 that this matter will be follow-up with the Speaker of Council and feedback will be provided</p>	<p>23 October 2020 9 February 2021 25 June 2021 13 August 2021 27 October 2021 9 February 2022</p>

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							to the Audit Committee. The matter was also escalated to Council through the Audit Committee report that was tabled in Council on 15 March 2022.	(6)
24	03-2020/21/66 20 November 2020 (Continuation of meeting dated October 2020)	Performance Assessments	Me Kaota (Acting Audit Committee Chairperson) noted with concern that no performance evaluations are being performed for the City Manager and HODs and therefore urged management to ensure performance evaluations are performed to ensure compliance with legislations and as a learning curve for individual performance evaluations.	Acting City Manager / GM: IDP	Next Audit Committee meeting	Not resolved	Feedback was provided by the Acting DED: Operations at the Committee's meeting dated 27 October 2021 however, the matter will be resolved once proof of performance assessments of the City Manager and all Section 56 Managers (HODs) is submitted to the Audit Committee.	9 February 2021 25 June 2021 13 August 2021 27 October 2021 9 February 2022 (5)
26	04-2020/21/67 09 February 2021	ICT Status Report	The Acting Audit Committee Chairperson noted with concern that there is slow progress in resolving findings raised by Auditor General and therefore urged management to ensure ICT policies gets approved	HOD: Corporate Services	Next Audit Committee meeting	Resolved	ICT policies were approved by Council on 15 September 2021 ICT is also a standing item on the Audit Committee Agenda	25 June 2021 13 August 2021 27 October 2021 (3)

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34	07-2020/21/70 25 June 2021	Annual Report 2019/20 and Audit Report 2019/20	urgently by Council for implementation The Committee to receive a report on the investigations of UIFW from the Intervention Team (Administrator).	Administrator / Acting City Manager	Next Audit Committee meeting	Not resolved	Feedback was provided by the CFO on 27 October 2021. Work is currently being 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 will be shared with the Committee at its next meeting. (The plan was shared with the Audit Committee on 9 February 2022.)	13 August 2021 27 October 2021 9 February 2022 (3)
35	07-2020/21/70 25 June 2021	ICT Status Report	Furthermore, the tracking of the filling of the vacant position of the CTO should be reported on until	Acting City Manager / Acting HOD:	Next Audit Committee meeting	Partially resolved	The CTO position was advertised on the 9 September 2021.	13 August 2021 27 October 2021 9 February 2022

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			such time that the position has been filled	Corporate Services			However, the CTO position is still vacant as no appointment has been made. Therefore, this matter remains not resolved.	(3)

AUDIT COMMITTEE RESOLUTIONS FOR THE FINANCIAL YEAR 2021/22

Res No.	Meeting No.	Matter/Item Discussed	Resolution	Responsible person	Due date	Status	Progress Report	Number of times served before Audit Committee
1	01/2021-22/71 13 August 2021	Definitive agreement between Mangaung and Centlec for adoption by Council	The Committee resolved that the Municipality should urgently expedite the process of finalising the revised definitive agreement between Mangaung and Centlec for adoption by Council.	HOD: Corporate Services	Next Audit Committee Meeting	Resolved	Council resolved on 31 August 2021 that the definitive agreement between MMM and Centlec, that the old Sale of Business Agreement continue to be in effect for the 2020/21 financial year.	
2	01/2021-22/71 13 August 2021	List of matters arising/resolutions 2020/21 - Resolution no. 25 (b) Settlement report between the Municipality and	The Committee resolved that the Municipality should install a bulk water meter to measure water supplied by BloemWater, which will assist the Municipality to	Acting HOD: Engineering Services	Next Audit Committee Meeting	Not resolved.	The HOD: Engineering Services provided feedback on 9 February 2022, indicating that the municipality has 4 bulk water meters which are	13 August 2021 9 February 2022 (2)

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		Bloemwater on arrears owed to Bloemwater	verify whether billing by BloemWater is accurate or not.				not operational, and which will account for more than 80% of water supplies when functional. The Municipality is currently engaging the service provider to include these meters in the refurbishment program. The meters are expected to be operational within the next 2 months. Additional bulk waters will also be installed at the former Naledi region, which will be done in the new financial year (2022/23).	
3	01/2021-22/71 13 August 2021	ICT Status Report	The Committee noted the ICT Status Report.			Resolved		
4	01/2021-22/71 13 August 2021	Risk Management Report	The Committee noted the 2020/21 Quarter 4 Risk Management Report			Resolved		
5.1	01/2021-22/71 13 August 2021	Audit Action Plan	The Committee noted the 2019/20 Audit Action Plan.			Resolved		

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5.2	01/2021-22/71 13 August 2021	Audit Action Plan	The Committee resolved that the following matter be included in the Audit Action Plan - Losses on water;	CFO / HOD: Engineering Services	Next Audit Committee meeting	Resolved	The item is included in the AAP of 2019/20 and the matter has been resolved.	
5.3	01/2021-22/71 13 August 2021	Audit Action Plan	The Committee resolved that the following matter be included in the Audit Action Plan - The agreement between Centec and the Municipality	CFO	Next Audit Committee meeting	Resolved	The item is included in the 2020/21 AAP	27 October 2021 (1)
6.1	01/2021-22/71 13 August 2021	Financial Reports (2020/21 4th quarter MFMA Section 52 Report)	The Committee noted the 2020/21 4th quarter MFMA Section 52 Report.			Resolved		
6.2	01/2021-22/71 13 August 2021	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.	City Manager	Next Audit Committee meeting	Resolved	Subsequent to the Audit Committee meeting of 13 August 2021 the GM: SCM under discussion was reinstated at SCM (i.e., 18 August 2021)	

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			- The "former" GM: SCM not working. Report submitted but not discussed					
7	01/2021-22/71 13 August 2021	2020/21 4 th Quarter SCM Quarterly Report				Resolved	The 2020/21 4 th Quarter SCM Quarterly Report was discussed at the Committee's meeting dated 7 June 2022.	9 February 2022 (1)
8	01/2021-22/71 13 August 2021	2020/21 AFS and Annual Report compilation processes	The Committee noted the 2020/21 AFS compilation process.			Resolved		
9	01/2021-22/71 13 August 2021	2020/21 4 th quarter SDBIP Progress Report	The Committee noted the 2020/21 4 th quarter SDBIP Progress Report.			Resolved		
10.1	01/2021-22/71 13 August 2021	2020/21 4 th Quarter Internal Audit Progress Report	The Committee noted the 2020/21 4 th quarter Internal Audit Progress Report			Resolved		
10.2	01/2021-22/71 13 August 2021	2020/21 4 th 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.	Acting City Manager	Next Audit Committee Meeting	Partially Resolved	Reminder letters were issued to HODs to submit outstanding responses to Internal Audit reports. Some outstanding management comments have been received, some responses received	27 October 2021 9 February 2022 (2)

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							are currently being discussed with management to ensure that they address internal audit findings raised.	
11	01/2021-22/71 13 August 2021	2021/22 Audit Committee Schedule of Meetings	The Committee approved the 2021/22 Committee Schedule of Meetings			Resolved		
12	01/2021-22/71 13 August 2021	2021 Internal Audit Charter	The Committee approved the 2021 Internal Audit Charter.			Resolved		
13	01/2021-22/71 13 August 2021	2021 Audit Committee Charter	The Committee approved the 2021 Audit Committee Charter.			Resolved		
14	01/2021-22/71 13 August 2021	2021/22 Internal Audit Plan	The Committee approved the 2021/22 Internal Audit Plan.			Resolved		
15.1	02/2021-22/72 30 August 2021	Review of the 2020/21 Annual Financial Statements by the Audit Committee	The Audit Committee noted the circulated draft AFS and accepted the assurance provided by the CFO that the AFS would be submitted to the Auditor-General on time.			Resolved	AFS was submitted to AGSA on 31 August 2021.	
15.2	02/2021-22/72 30 August 2021	Report of Internal Audit on the review of the	The Audit Committee noted that Internal Audit had performed			Resolved		

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		2020/21 Annual Financial Statements	reviews on the 2020/21 Annual Financial Statements and that the report was shared with management for their attention, and management attended to matters raised in these reports in preparation for the final documents to be submitted to the Auditor-General by close of day, 31 August 2021.					
16.1	02/2021-22/72 30 August 2021	Review of the draft 2020/21 Annual Performance Report by the Audit Committee	The Audit Committee noted the circulated draft Annual Performance Report.			Resolved		
16.2	02/2021-22/72 30 August 2021	Report of Internal Audit on the review of the draft 2020/21 Annual Performance Report	The Audit Committee noted that Internal Audit had performed reviews on the 2020/21 Annual Performance Report and that the report was shared with management for their attention, and management attended to matters raised in these reports in preparation for the final documents to be submitted to the Auditor-General by close of day, 31 August 2021.			Resolved		

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17	02/2021-22/72 30 August 2021	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.	Acting City Manager / GM: IDP	Next Audit Committee meeting.	Partially resolved	Benching marking exercise was done virtually with the Nelson Mandela Bay Metro Municipality and physically at the eThekweni Metro Municipality. The GM: IDP and Organisational Performance reported on 9 February 2022 that a report has been finalised and was shared with the former Acting City Manager (Mr More) for deliberation in EMT.	9 February 2022 (1)
18	03/2021-22/73 22 September 2021	Auditor-General – Engagement Letter	The Committee noted the Auditor-General – Engagement Letter			Resolved		
19	03/2021-22/73 22 September 2021	Auditor-General – Audit Strategy	The Committee noted the Auditor-General – Audit Strategy			Resolved		
20	04/2021-22/74 27 October 2021	Briefing of the Committee by the City Manager/ CAE on	Acting City Manager to keep the Committee abreast on progress on the Metro Police matter.	Acting City Manager	Next Audit Committee Meeting	Ongoing	The acting City Manager indicated to the Committee that the Metro	9 February 2022 (1)

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		matters of importance to the Committee					Police matter is before the Court and still <i>subjudice</i> , therefore, there is no formal report prepared.	
21	04/2021-22/74 27 October 2021	Dates for performance assessments for the City Manager and HODs to be conducted should be proposed	The Committee resolved 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 (2020/21 Annual Performance Assessments and 2021/22 Quarterly Performance Assessments for CM and HODs)	Acting City Manager / GM: IDP	Next Audit Committee Meeting	Not resolved		9 February 2022 (1)
22	04/2021-22/74 27 October 2021	UIFW Reduction Plan and National Treasury communique in this regard to be submitted to Audit Committee.	The Committee resolved that the letter from National Treasury regarding the UIFW expenditure should be shared with the Committee, including the responses by the Municipality (i.e., the UIFW Reduction Plan amongst others).	Acting City Manager / CFO	Next Audit Committee Meeting	Partially resolved	Requested document was circulated to the Committee during the meeting of 9 February 2022. However, the Committee agreed to discuss this matter in the next meeting since the Acting City Manager was	9 February 2022

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							released from the meeting to attend urgent Municipal business. Refer to Addendum A to agenda.	
23	04/2021-22/74 27 October 2021	ICT Status Report	The Committee noted the presented ICT Status Report	HOD: Corporate Services		Ongoing	Standing agenda item.	
24	04/2021-22/74 27 October 2021	Audit Action Plan (Management and Internal Audit assessment)	The Committee resolved to accept the withdrawal of the Audit Action Plan by the CFO.	CFO		Ongoing	Standing agenda item.	
25	04/2021-22/74 27 October 2021	2021/22 1st Quarter MFMA Section 52 Report (financial)	The Committee noted 2021/22 1st Quarter MFMA Section 52 Report (financial).			Resolved		
26	04/2021-22/74 27 October 2021	2021/22 1st Quarter SCM Quarterly Report	The Committee noted the 2021/22 1st Quarter SCM Quarterly Report.			Resolved		
27	04/2021-22/74 27 October 2021	2021/22 1st Quarter SDBIP Progress Report	The Committee noted the 2021/22 1st Quarter SDBIP Progress Report.			Resolved		
28.1	04/2021-22/74 27 October 2021	2021/22 1st Quarter Internal Audit Progress Report	The Committee noted the 2021/22 1st Quarter Internal Audit Progress Report.			Resolved		

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28.2	04/2021-22/74 27 October 2021	2021/22 1st Quarter Internal Audit Progress Report	The Committee resolved on 27 October 2021 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.	Acting City Manager	Next Audit Committee Meeting	Partially resolved	Due to EMT Meetings not regularly sitting, reminders were sent to individual HODs to submit outstanding management responses to internal audit reports. Some reports have since been finalised with management comments that addresses the root causes in them.	(0)
29	04/2021-22/74 27 October 2021	Council resolution on Audit Committee Reports submitted to Council	The Committee resolved that the Acting City Manager should urgently develop a plan / report on how the following 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; <u>Council resolution:</u> - That all appointments that has continued for a period of more than six months should be terminated with immediate effect	Acting City Manager	Next Audit Committee Meeting	Not resolved	Resolution communicated to the then Acting City Manager (Mr More), however, no feedback was provided on the implementation of these Council resolutions. The resolutions were shared with the acting CM on 7 June 2022	9 February 2022 (1)

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			<ul style="list-style-type: none"> - 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 					

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			<p>Resources after the following due processes of appointment.</p> <ul style="list-style-type: none"> - 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. 					

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30	05/2021-22/75 26 November 2021	2020-21 Auditor General Draft Management and Audit Reports for Mangaung Metro Municipality	The Committee noted the 2020-21 Auditor General Draft Management and Audit Reports for Mangaung Metro Municipality			Resolved		
31	06/2021-22/76 9 February 2022	2020/21 Consolidated Annual Report	The Committee noted the 2020/21 Consolidated Annual Report			Resolved		
32	06/2021-22/76 9 February 2022	2020/21 Consolidated Auditor-General Audit Report	The Committee resolved that the Organogram / Organisational structure as submitted to National Treasury for comments, should be submitted to the Committee for perusal and discussion.	Acting HOD: Corporate Services / Acting City Manager	Next Audit Committee Meeting	Not resolved		
33	06/2021-22/76 9 February 2022	ICT Status Report	The Committee resolved that the acting CTO should submit a timetable and action plan that reflects how often the ICT Steering Committee should convene meetings.	Acting HOD: Corporate Services / Acting CTO	Next Audit Committee meeting	Not resolved		
34	06/2021-22/76 9 February 2022	Risk Management Report	The Committee noted the 2021/22 Risk Management Report/s			Resolved		

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35	06/2021-22/76 9 February 2022	Audit Action Plan (Management and Internal Audit assessment)	The Committee took note that the audit action plan is currently been developed.	CFO	Next Audit Committee meeting	Resolved.	The Audit Action Plan has been developed and circulated to Audit Committee for discussion at its next meeting.	
36	06/2021-22/76 9 February 2022	2021/22 MFMA Section 72 Report (financial)	The Committee noted of 2021/22 MFMA Section 72 Report (financial)			Resolved		
37	06/2021-22/76 9 February 2022	2021/22 2nd Quarter SCM Quarterly Report	The Committee noted of 2021/22 2nd Quarter SCM Quarterly Report			Resolved		
38	06/2021-22/76 9 February 2022	2021/22 Mid-Year SDBIP Progress Report	The Committee noted of 2021/22 Mid-Year SDBIP Progress Report			Resolved		
39	06/2021-22/76 9 February 2022	2021/22 2nd Quarter Internal Audit Progress Report	The Committee noted of 2021/22 2nd Quarter Internal Audit Progress Report			Resolved		
41	07/2021-22/77 7 June 2022	ICT Status Report	The Committee noted the ICT Status Report			Ongoing	Standing item on Audit Committee agenda	
42	07/2021-22/77 7 June 2022	Risk Management Reports	The Committee noted the 2021/22 Quarter 1, 2 and 3 Risk Management Monitoring Report			Resolved		
43	07/2021-22/77 7 June 2022	Audit Action Plan (Management and Internal Audit	The Committee noted the commitment by the Acting CFO to drive the implementation of the	Acting CFO	Next Audit Committee meeting	Not resolved		

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		assessment)	AAP aggressively and to provide feedback at the Committee's next meeting.					
44	07/2021-22/77 7 June 2022	2021/22 Quarter 3 MFMA Section 52d Report (financial)	The Committee noted the 2021/22 Quarter 3 MFMA Section 52d Report (financial)			Resolved		
45	07/2021-22/77 7 June 2022	2021/22 3 rd Quarter SCM Quarterly Report	The Committee noted the 2021/22 3 rd Quarter SCM Quarterly Report			Resolved		
46	07/2021-22/77 7 June 2022	2020/21 Quarter 4 SCM Quarterly Report	The Committee noted the presentation of the 2020/21 Quarter 4 SCM Quarterly Report and requested management to provide feedback to the Committee on the disposal of the items identified as obsolete/ redundant and damages, at its next meeting.	Acting CFO GM: SCM	Next Audit Committee meeting	Not resolved		
47	07/2021-22/77 7 June 2022	2021/22 Quarter 3 SDBIP Progress Report	The Committee noted the 2021/22 Quarter 3 SDBIP Progress Report			Resolved		
48	07/2021-22/77 7 June 2022	2021/22 3 rd Quarter Internal Audit Progress Report	The Committee approved the 2021/22 3 rd Quarter Internal Audit Progress Report			Resolved		
49	07/2021-22/77 7 June 2022	Audit Committee briefing report to the Interim Management	The Committee noted the Audit Committee briefing report to the Interim Management Team (IMT)			Resolved		

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50	07/2021-22/77 7 June 2022	Team (IMT). Disciplinary Board	Me Mdaka (Audit Committee Member) accepted the nomination to serve on the Disciplinary Board.			Resolved		