

## ANNEXURE D



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### **ACTION PLAN TO ADDRESS AUDIT FINDINGS**

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### **2012/ 2013 REPORTED RESULTS PERIOD**

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Mbombela Local Municipality

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The action plan consists of audit findings raised in the audit report, management report and the information systems audit findings. Audit findings which has been addressed and corrected during the audit process has not been included in the action plan.

The audit / management report references refers to the page number and the audit finding (AF) number in either of the two reports. This will assist to enable easy reference to the source document as other information paertaining to the audit findings might not have been included due to the nature and size eg. Tables

The column which has highlighted areas refers to the number of times that specific audit finding has been raised in the previous financial years. Where there is a red highlight, the findings has been raised for the past 4 financial years.

The completion date or timeframe must be measurable

## IMPLEMENTATION PLAN TO ADDRESS AUDIT FINDINGS FOR THE 2012/2013 FINANCIAL YEAR

Man. Report / Audit Report Ref.	Audit Query	Audit Finding	Number of times raised in previous years	Action Required	Responsible Department	Completion / Due Date
<b>AUDIT REPORT FINDINGS</b>						
Pg 2	Matter of Emphasis: Restatement of corresponding figures	As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during the year ended 30 June 2013 in the financial statements of the municipality at and for the year ended 30 June 2012	4 2010-2013	<p>Development and implementation of a clean audit roadmap</p> <p>Submission of all invoices to the expenditure section as per the approved year end workplan</p>	Financial Services : Accounting Services	30 June 2014
Pg 2	Matter of Emphasis : Material Losses	As disclosed in note 42 to the financial statements, material losses of R2 731 865 for water and R 39 664 685 for electricity were incurred as a result of theft and illegal connections	2 2012- 2013	<p><u>Water</u></p> <ol style="list-style-type: none"> <li>1. Refurbishment and Installation of Bulkwater Meters: The replacement of bulkwater meters project initiated in the 2013/14 FY will be expanded in 2014/15 to cover all areas with high quantities of unaccounted-for-water (UAW) as flagged by recently completed Department of Water Affairs (DWA) Bulkwater Reconciliation Strategy and in the Nelspruit, White River, Hazyview, Nsikazi North and Nsikazi South Bulkwater Masterplans. The replacement of faulty, inaccessible commercial and private meters will be prioritised in the routine maintenance programme, implemented in conjunction with directives from the revenue management team.</li> <li>2. Water Conservation &amp; Demand Management Programme (WCDM): The WCDM Strategy and its 5-year Implementation Plan developed from 2012/13 and completed in the 2013/14</li> </ol>	Technical Services Financial Services	30 June 2014

				<p>FY will be progressed to implementation stage. The project will commence with recommended priority projects. The project will improve the consistency of water supply and reduce illegal connections</p> <p>3. Improved Routine Maintenance: Service Providers for routine maintenance contracts for all electrical, mechanical, meters and water networks will be appointed to resume from the beginning of 2014/15 FY. This will curb water losses from leaking of purification works, pumpstations, bulk and reticulation networks through the improvement of turn-around times and reduce deviations from normal supply chain management procedures for emergencies which turn to be of a higher retail value.</p> <p>4. Reduction of water tankers: Together with routine maintenance contracts, urgent refurbishment of boreholes and package plants schemes will be prioritised on the adjustment budget to improve the consistency of water supply for most of the rural scheme in order to reduce augmentation through water tankers; which is not only costly but also increases the quantity of water losses from filling points. This will enable the municipality to deal with private water tankers getting water from its system at no cost.</p>		
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				<p><b><u>Electricity</u></b></p> <ol style="list-style-type: none"> <li>1. Load Flow Study: A service provider will be appointed in FY2014/15 to perform load flow analysis in order to determine system losses. Capital project/s will be implemented in FY2015/16 to address deviations</li> <li>2. Meter audits: A meter audit for Nelspruit, White River &amp; Hazyview commercial sites will be done in FY2014/15. Audits for residential sites will be done in FY2015/16 and FY2016/17</li> <li>3. Meter maintenance: Maintenance contracts from FY2014/15 will include metering infrastructure maintenance in order to improve the turn-around time for metering technical queries</li> </ol> <p><b><u>General</u></b></p> <ol style="list-style-type: none"> <li>1. Provision of services to illegal settlements: A strategy for the provision of services (water, sanitation, electricity) in illegal settlements will be developed concurrently with formalisation processes.</li> </ol>		
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Pg 2	Matter of Emphasis : Impairments	The municipality had receivables for property rates, electricity, water , sewerage, refuse, interest on arrears and other receivables totalling R259 599 801 at 30 June 2013 as per note 3 to the financial statements which had been outstanding for more than 12 months. The recoverability of these amounts is doubtful	4 2010-2013	Implementation of the data purification and analysis project recommendations on write off of non-recoverable debt that will be identified	Financial Services : Revenue Management	30 June 2014
Pg 2	Matter of Emphasis : Material underspending of the conditional grants	As disclosed in the financial statements, the municipality underspent its budget on conditional grants by R138 520 706. As a consequence , the municipality did not achieve its objective in providing infrastructure	1 2013	1. Infrastructure Planning: a) Capacity building within the Project Implementation Unit (PIU) initiated in the 2012/13 FY has improved the registration of MIG Projects and approval of Technical Reports. The capacity building programme will be improved with a focus on contracts management to deal with under-performing consultants and contractors b) The procurement of planning consultants for the electricity and energy projects was initiated and is at bid adjudication stage. This will increase the project planning, initiation, implementation and management capacity within the Electrical Engineering Unit c) The procurement of technical support consultants for the water and sanitation projects was initiated and is at bid adjudication stage. This will increase the project planning, initiation, implementation and management capacity within the Water and Sanitation Unit, amongst	Technical Services	30 June 2014

				<p>other deliverables</p> <p>d) Support consultants have been appointed to offer support in the implementation of transport infrastructure projects.</p> <p>Improved projects planning will enable the municipality to expedite the appointment of service providers for ensuing FYs in light of possible delays in procurement processes</p>		
Pg 3	Compliance : Annual financial statements	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA . Material misstatements of irregular expenditure and provisions identified by the auditors in the submitted financial statements were subsequently corrected	1 2013	<ol style="list-style-type: none"> <li>1. Compilation, approval and adherence of a year-end work plan.</li> <li>2. Appointment of a GRAP specialist service provider to conduct quality review.</li> <li>3. Tabling of the financial statements to the Audit committee prior submission to the Auditor General</li> </ol>	Financial Services	31 August 2014
Pg 3	Compliance : Audit committee	The performance audit committee did not review the municipality's performance management system or make recommendations to the council, as required by MPPMR	4 2010-2013	The Audit Committee will submit a report with recommendations to Council after reviewing second quarter performance management report and will also submit to Council after reviewing the fourth quarter performance management report.	Internal Audit	30 June 2014

Pg 3	Compliance : Conditional grants received	The allocations of conditional grants were utilised for purposes other than those stipulated in the grants framework, in contravention of section 15(1) of DORA	1 2013	<ol style="list-style-type: none"> <li>1. The audit finding will be addressed with the implementation of the 2013/2014 adjustments budget – Whereby austerity measures (cost curtailment measures) will be factored in the adjusted budget targeting a downwards adjustment of general expenditure by 10 per cent, the capital expenditure funded from internal generated revenue (own revenue) and IDP operating projects expenditure budget will adjusted downwards by at least 26 per cent.</li> <li>2. Ringfencing of conditional grants monies by opening a separate bank account for the grant monies.</li> </ol>	Financial Services : Budget and Treasury	28 February 2014
Pg 4	Compliance : Expenditure Management	<ol style="list-style-type: none"> <li>1. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65 of the MFMA</li> <li>2. The accounting officer did not take effective steps to prevent unauthorised , irregular or fruitless and wasteful expenditure as required by section 62 of the MFMA</li> </ol>	4 2010-2013	<ol style="list-style-type: none"> <li>1. Implementation of the austerity measures</li> <li>2. Implementation of the cash flow management model</li> <li>3. Improved Contracts Management: Capacity building within the Technical Services Department initiated in the 2012/13 and 2013/14 will be enhanced with a focus on contracts management to deal with rapid processing and verification of requisitions for work done on construction projects.</li> <li>4. Implementation of the clean audit road map plan</li> <li>5. Routine Maintenance Contracts: Service Providers for routine maintenance contracts for all electrical,</li> </ol>	Financial Services  All Departments	30 June 2014



				mechanical, meters and water and networks and related assets are in place and will be expanded to cover assets not catered for, especially water, sanitation and electricity. This will reduce deviations from normal supply chain management procedures for emergencies and specialised work.		
Pg 4	Compliance : Procurement and Contract management:	<ol style="list-style-type: none"> <li>1. Goods and services with a transaction value above R 200 000 were procured without inviting competitive bids as required by the SCM regulations. Deviations were approved by the Accounting officer even though it was not impractical to invite competitive bids .Irregular expenditure relating to the hosting of AFCON is under investigation . This relates to the total expenditure of R34 530 587 incurred.</li> <li>2. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations , contrary to SCM regulations 17 (a) and (c)</li> <li>3. The performance of contractors or service providers was not monitored on a monthly basis as required by section 116 (2)b of the MFMA</li> <li>4. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management</li> <li>5. Contracts and quotations were awarded to bidders who had not submitted a declaration on whether they were employed by the State or connected to any person employed by the state, as required by SCM Regulation 13©</li> <li>6. Contracts and quotations were awarded to providers whose tax matters had not been declared by SARS to be</li> </ol>	4 2010-2013	<ol style="list-style-type: none"> <li>1. A deviation committee will be established to deal with all SCM deviations.</li> <li>2. Contract and performance management unit will be established to deal with the matters of contract and performance management.</li> <li>3. Intensify the vetting of companies prior to registration into the suppliers database.</li> </ol>	Financial Services	30 June 2014

		in order , as required by SCM regulation 43				
Pg 4	Compliance : Financial and performance management	The municipality did not adequately review the financial statements and the annual performance report prior submission for auditing	1 2013	<ol style="list-style-type: none"> <li>1. Appointment of a GRAP specialist service provider to conduct quality review.</li> <li>2. Tabling of the financial statements to the Audit committee prior submission to the Auditor General</li> <li>3. The Annual Performance Report for the 2013/14 financial year will be reviewed through one on one departmental session to be held facilitated by the Monitoring and Evaluation unit and it will be further reviewed at Senior Manager Meeting. This process will be included in the corporate calendar.</li> </ol>	Financial Services  Monitoring and Evaluation	31 August 2014  31 August 2014

## MANAGEMENT REPORT FINDINGS

Pg 50 AF 5	AOPO- None compliance- Submission report on performance management to Council	<p>The Municipal Planning and Performance Management Regulations (GNR 796 of 24 August 2001) Reg 14(4)(a)(iii) states that the performance audit committee (or audit committee, if performing this function), submitted, at least twice during a financial year, an audit report on the review of the performance management system to the council.</p> <p>The performance audit committee (or audit committee, if performing this function), did not submit, at least twice during a financial year, an audit report on the review of the performance management system to the council</p> <p>This will result in none compliance with the performance management regulations</p>		The Audit Committee will submit a report to Council after reviewing second quarter performance management report and will also submit to Council after reviewing the fourth quarter performance management report.	Internal Audit	30 June 2014
Pg 51 AF 6	Unspent conditional grants- Financial Health- Grants not cash backed	<ol style="list-style-type: none"> <li>Total unspent conditional grants at year end are R138,520,706 per note 17 to the annual financial statements.</li> <li>The cash and cash equivalents balance per note 39 to the financial statements is R8,543,390.</li> <li>As a result the unspent grants liability at year end is not cash backed and may indicate financial difficulties at the municipality</li> <li>The allocations of conditional grants were utilised for purposes other than those stipulated in the grant framework, in contravention of section 15(1) of DoRA</li> </ol>		<ol style="list-style-type: none"> <li>The audit finding will be addressed with the implementation of the 2013/2014 adjustments budget – Whereby austerity measures (cost curtailment measures) will be factored in the adjusted budget targeting a downwards adjustment of general expenditure by 10 per cent, the capital expenditure funded from internal generated revenue (own revenue) and IDP operating projects expenditure budget will adjusted downwards by at least 26 per cent.</li> <li>Ringfencing of conditional grants monies by opening a separate bank account for the grant monies.</li> </ol>	Financial Services : Budget and Treasury	30 June 2014
Pg 53 AF 7	Expenditure- None compliance - Payment made after 30 days	<p>Municipal Finance Management Act 56 of 2003 section 65 states the following: The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.</p> <p>(2) The accounting officer must for the purpose of subsection (1)</p>		<ol style="list-style-type: none"> <li>Implementation of the austerity measures.</li> <li>Implementation of the cash flow management model.</li> <li>Improved Contracts Management: Capacity building within the Technical</li> </ol>	Financial Services : Expenditure Management	30 June 2014

		take all reasonable steps to ensure— (e)that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure		Services Department initiated in the 2012/13 and 2013/14 will be enhanced with a focus on contracts management to deal with rapid processing and verification of requisitions for work done on construction projects.		
Pg 63 AF 14	Expenditure AFCON-Difference- VAT paid to a non VAT Vendor	Municipal Finance Management Act 56 of 2003 65 states that: Expenditure management.  (1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality. (2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure— (f) that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments		<ol style="list-style-type: none"> <li>1. The audit finding was rectified in the financial records of the municipality</li> <li>2. Accurate creation of suppliers on the procurement system</li> <li>3. Capturing and verification of order's information in the quotation</li> <li>4. Verification of the invoice against the order issued</li> <li>5. Implementation of the creditors verification checklist</li> </ol>	Financial Services : Expenditure Management	30 June 2014
Pg 67 AF 16	Expenditure AFCON- Compliance- Unauthorized deviations	Procurement process – (1) A supply chain management policy must subject to regulation 11 (2), provide for the procurement of goods and service by way of: (d) A competitive bidding process for- (i) Procurements above a transaction value of R200 000 (Vat included) , and (ii) The procurement of long term contracts.  The following transactions above R200,000 were not procured through competitive bidding process and there was no approved deviation		<ol style="list-style-type: none"> <li>1. A SCM deviations committee will be established to deal with all deviation related procure to ensure that they comply with the SCM regulations.</li> <li>2. All deviations will be forwarded to the internal audit to ensure that regular reporting and disclosure are done to both council and in the financial statements</li> </ol>	Financial Services : SCM	30 March 2014

Pg 68 AF 17	Expenditure AFCON- Compliance- Deviations approved not valid	<p>We noted that the deviations for the following payments are not valid according the applicable laws &amp; regulations (MFMA, MBRR &amp; MSCMR):</p> <p>i. On the 19 October 2012 the Municipality had proof that an amount of R31,000,000 was allocated to it (DoRA 2012 amended) as one of the hosting cities.</p> <p>ii. The tournament started in January 2013.</p> <p>iii. Therefore normal procurement processes would have been followed according to Municipal Finance Management Act 56 of 2003 , Municipal budget and reporting regulations GN 393 of 17 April , Municipal Supply Chain Management Regulations GNR 868_30 May Sec 11</p> <p>iv. Payments documented below are applicable to suppliers paid in connection with the AFCON tournament.</p> <p>v. Payments were not disclosed as Irregular expenditure in the AFS.</p>		<ol style="list-style-type: none"> <li>1. A SCM deviations committee will be established to deal with all deviation related procure to ensure that they comply with the SCM regulations.</li> <li>2. All deviations will be forwarded to the internal audit to ensure that regular reporting and disclosure are done to both council and in the financial statements.</li> <li>3. Encourage Departments to improve in their planning utilising SCM procurement Calendar as a tool.</li> </ol>	Financial Services : SCM	30 March 2014
Pg 71 AF 18	Expenditure AFCON _Irregular_ Catering	<p>Municipal Finance Management Act 56 of 2003 Sec 65 sates: Expenditure management.—(1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.</p> <p>(2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure—</p> <p>(a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;</p> <p>During the audit of expenses the inconsistency in the following transaction has been noted:</p> <p>i. Based on enquiries we were informed that the R3,000 was to cover 2 days, and 3 meals (breakfast, lunch and supper). This would result in the average cost of R500 per meal per volunteer. This appears excessive at face value and potentially irregular</p>		<ol style="list-style-type: none"> <li>1. Centralise the procurement of goods and services to the SCM office.</li> <li>2. Establish a performance and contract management division within the SCM unit</li> </ol>	Financial Services : SCM	30 May 2014

		<p>expenditure.</p> <p>ii. Please can management explain and provide us with the competitive bidding supporting documents for this transaction.</p> <p>iii. Secondly, the fact that there was an unnecessary payment for 149 volunteers that did not exist also alludes to irregularities regards this transaction.</p>				
Pg 73 AF 19	Procurement- None compliance- Monitoring of expenditure on the contract	<p>In terms of sec 116 2 (a) of MFMA the accounting officer of a municipality or municipal entity must-</p> <p>(a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of municipality or municipal entity is properly enforced. (b) monitor on a monthly basis the performance of the contract under the contract or agreement.</p> <p>Note</p> <p>Contract registers are in place to record contracts awarded to suppliers however monthly monitoring of expenditure on the contracts was not performed as the post for monitoring and evaluation was still vacant at year end.</p>		1. Establish a Performance and contract management division with the SCM unit	Financial Services : SCM	30 June 2014
Pg 74 AF 20	20.Procurement- Compliance- Use of consultants	<p>The following deficiencies in internal controls were identified in appointing the consultants:</p> <p>(a)There is no policy in place that defines the main purpose and objective of appointing consultants and that includes measures to address over reliance on consultants.</p> <p>(b)Management does not review whether the objectives of the institution are better achieved through use of consultants or permanent staff.</p> <p>(c)Where consultants are used, the services needs are</p>		A policy will be developed that will be dealing with the use of external consultants by the Municipality	Financial Services : SCM	30 May 2014

		<p>permanent to the auditee, the cost of hiring consultants is not regularly compared with cost of training and employee own staff.</p> <p>(d)Consultants are not made aware that they should not: i.recruit or attempt to recruit the employee of the municipality in preparation of a bid for contract at the auditee ii.recruit the employee of the municipality during execution of the relevant contract of the municipality.</p> <p>(e)Management information is not prepared that analyses the extent of the use of consultants that are appointed to supplement or replace capacity to perform normal operational functions.</p> <p>(f)The work of 'Intenda' (consultant) is not regulated by a contract signed by both the consultant and the delegated official.</p>				
Pg 75 AF 21	Procurement- Compliance- Interest in state	<p>In terms of section 44 of municipal supply chain management regulations, the supply chain management policy of a municipality or municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity may not make any award to a person:</p> <p>(a) Who is in the service of the state (b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state or (c) Who is advisor or consultant contracted with the municipality or municipal entity.</p> <p>Awards were made to the suppliers in which the following persons in service of the state had a business or private interest.</p>		<ol style="list-style-type: none"> <li>1. The employers of the persons as listed by the findings has been notified and requested to provide a permission granted by the executing authority authorising them to do remunerative work outside their working environment 15 January 2014.</li> <li>2. Details of the companies and their directors will be forwarded to National Treasury for the enlistment in the register of restricted bidders.</li> </ol>	Financial Services : SCM	30 May 2014

		Name of person	State institution where employed	Supplier name					
Pg 77 AF 22	Other important matters: 22.Employee cost-Internal controls-Deficiencies	CHRYSELDA TLANGELANI MUSHWANA	State Security Agency	CHRYSELDA BUILDING CONSTRUCTION			<ol style="list-style-type: none"> <li>1. A Performance Management system framework for non-section 57 /56 employees to be tabled before Council before end of June 2014.</li> <li>2. Supervisors were trained in the second quarter of 2013/14 as well as from 24 to 31 January 2014.</li> <li>3. The PMS will be cascaded to levels 2 to 5 in 2014/15 financial year and phased to lower levels in subsequent financial years.</li> <li>4. Periodic performance appraisals will be conducted as per the said PMS</li> </ol>	Corporate Services	30 June 2014
		SITHEMBILE VINAH THABETHE	Mpumalanga: Education	STE TRADING ENTERPRISE					
		NOMSA GRACE NDLOVU	Mpumalanga: Health	NOMORI SECURITY SERVICES					
		ETHEL MUWAYI	Mpumalanga: Education	HURRICANE SECURITY SERVICES					
		BONGANI MOSES LEHOKO	Mpumalanga: Health	MAJOTI TRADING ENTERPRISE CC					
		MOYAHABO THYRZA PAULA LESIA	South African Broadcasting Corporation	TEBOHO LEHLOHONOLO TRADING ENTERPRISE					
		3.Compensation and promotion based on achievements and performance not done as there is no performance assessment for all employees.							
		4.Supervisors are not trained to provide effective job performance counseling.							
		5.Employees are not provided candid and constructive job performance counseling.							
		6.Management does not enthusiastically endorse the use of performance-based management.							



		<p>7.Promotion, compensation, and rotation of employees are not based on periodic performance appraisals.</p> <p>8.Performance appraisals are not based on the performance areas indicated in the performance contracts of individuals.</p> <p>9.Importance of integrity and ethical values is reflected in performance appraisal criteria.</p>		framework but may not automatically influence promotion, compensation and rotation of employees.																				
Pg 79 AF 23	Employee Cost-Difference- Accrued employee bonuses list does not agree to the TB figure	<p>The accrued employee bonuses list does not agree to the amount in the trial balance and general ledger, resulting to understatement of payables:</p> <table border="1"> <tr> <td>Total amount as per listing</td> <td>8 925 338.33</td> </tr> <tr> <td>Amount as per Trial Balance</td> <td>(9 001 756.61)</td> </tr> <tr> <td>Variance</td> <td>(76 418.28)</td> </tr> </table>	Total amount as per listing	8 925 338.33	Amount as per Trial Balance	(9 001 756.61)	Variance	(76 418.28)		<p>The accrued employees bonuses have been corrected with a journal and a correction of error will be done to the financial statements.</p> <p>Review of all reconciliations and journals for correctness by Supervisors</p>	Financial Services : Expenditure Management	31 July 2014												
Total amount as per listing	8 925 338.33																							
Amount as per Trial Balance	(9 001 756.61)																							
Variance	(76 418.28)																							
Pg 80 AF 24	Employee Cost - Compliance- No assessment of performance bonus for senior managers	<p>The competencies of Accounting officer, CFO, Head of Supply Chain, financial officers and SCM officials were not assessed promptly in order to identify and address gaps in competency levels as required by the Municipal Regulations on Minimum Competency Levels reg 13</p> <p>The following senior managers have entered into a performance agreement and performance plan with the municipality and there is no assessment made for their performance as required by the Performance Management Policy Framework</p> <table border="1"> <thead> <tr> <th>No</th> <th>Initials and Surname</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr X C Mzobe</td> <td>Municipality Manager</td> </tr> <tr> <td>2</td> <td>Mr F S Siboza</td> <td>Chief Operational Officer</td> </tr> <tr> <td>3</td> <td>Ms N T Mthembu</td> <td>Chief Financial Officer</td> </tr> <tr> <td>4</td> <td>Ms Z P Malaza</td> <td>Acting chief Financial Officer</td> </tr> <tr> <td>5</td> <td>Mr N Seanego</td> <td>General Manager of Co-operate Services</td> </tr> </tbody> </table>	No	Initials and Surname	Position	1	Mr X C Mzobe	Municipality Manager	2	Mr F S Siboza	Chief Operational Officer	3	Ms N T Mthembu	Chief Financial Officer	4	Ms Z P Malaza	Acting chief Financial Officer	5	Mr N Seanego	General Manager of Co-operate Services		<ol style="list-style-type: none"> <li>1.Performance Framework for the Individual Assessment of Section 57 Managers to be completed by 28 February 2014</li> <li>2. 2013/14 Mid Year Individual Assessment of all Section 57 Managers to be completed by 31 March 2014</li> <li>3.2013/14 Annual Individual Performance Assessment of the Section 57 Managers to be completed by the December 2014</li> </ol>	Planning , Monitoring and Evaluation / Corporate Services	30 June 2014
No	Initials and Surname	Position																						
1	Mr X C Mzobe	Municipality Manager																						
2	Mr F S Siboza	Chief Operational Officer																						
3	Ms N T Mthembu	Chief Financial Officer																						
4	Ms Z P Malaza	Acting chief Financial Officer																						
5	Mr N Seanego	General Manager of Co-operate Services																						

		6	Mr R C Matola	General Manager :Community Services															
		7	Mr D Shabangu	General Manager :Planning, Performance Monitoring and evaluation, Communications and Information Technology.															
		8	Mr D D Mabuza	General Manager:LED,Human Settlement, Urban and Rural development.															
		9	Ms L L C Zulu	General Manager :Technical Services															
		10	Mr N D Malokela	General Manager :Technical Services															
Pg 85 AF 29	PPE- Difference- The figures in the GL does not agree to the figures in the AFS	<p>In terms of section 62(1)(b) General financial management functions the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure, that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>The amount per GL/TB does not agree to the amount per AFS for the following.</p> <p>Intangible assets</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Amount per</th> <th>Amount</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td>11 715</td> <td>10 361</td> <td>1 353 981.71</td> </tr> <tr> <td>Depreciation</td> <td>(267)</td> <td>(287)</td> <td>20 052.63</td> </tr> </tbody> </table>			Description	Amount per	Amount	Difference	Opening balance	11 715	10 361	1 353 981.71	Depreciation	(267)	(287)	20 052.63	<ol style="list-style-type: none"> <li>1. Appointment of the Asset Manager and all other critical posts within the Asset accounting unit</li> <li>2. Reconciliation of the General Ledger , Asset Register and the Annual financial statements</li> <li>3. Appointment of the service provider to update and maintain the immovable asset register</li> </ol>	Financial Services: Assets Accounting	15 August 2014
Description	Amount per	Amount	Difference																
Opening balance	11 715	10 361	1 353 981.71																
Depreciation	(267)	(287)	20 052.63																
Pg 86 AF 30	Investment property- Difference- Property not owned by municipality	<p>In terms of section 62(1)(b) General financial management functions the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure, that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>As per the deeds search the following assets are not under the</p>			<ol style="list-style-type: none"> <li>1. Appointment of the service provider to update and maintain the immovable asset register</li> <li>2. Update of the immovable asset register</li> <li>3. Land audit project to be conducted</li> </ol>	Financial Services: Assets Accounting  Properties section	15 August 2014												

		name of the municipality, however they are included in the investment properties register of the municipality.				
Pg 88 AF 31	PPE- Difference- The FAR does not agree to the AFS	In terms of section 62(1)(b). General financial management functions. The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure, that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.  The amount disclosed in the AFS does not agree to the fixed asset register		<ol style="list-style-type: none"> <li>1. Appointment of the Asset Manager and all other critical posts within the Asset accounting unit</li> <li>2. Reconciliation of the General Ledger , Asset Register and the Annual financial statements</li> <li>3. Appointment of the service provider to update and maintain the immovable asset register</li> </ol>	Financial Services: Assets Accounting	15 August 2014
Pg 90 AF 32	PPE- Difference- Depreciation is overstated in the AFS	In terms of section 62(1)(b). General financial management functions. The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure, that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.  The following assets were written off in the prior year however they were depreciated in the current financial year.		<ol style="list-style-type: none"> <li>1. Appointment of the Asset Manager and all other critical posts within the Asset accounting unit</li> <li>2. Reconciliation of the General Ledger , Asset Register and the Annual financial statements</li> <li>3. Appointment of the service provider to update and maintain the immovable asset register</li> </ol>	Financial Services: Assets Accounting Fleet Management	15 August 2014
Pg 92 AF 34	Procurement- None compliance- Submission of the report on the implementation of SCM policy	In terms of the SCM regulation 6(2)(a)(i): The council of a municipality and the board of directors of the municipality must maintain oversight over the implementation of its SCM policy:  For the proposes of such oversight the accounting officer must- (i) in the case of the a municipality, within 30 days of the end of each financial year submit a report on the implementation of the		All SCM compliance related dates will be included in the corporate calendar and constant reminders will be submitted to the office of the Accounting Officer	Financial Services : SCM	30 July 2014

		<p>supply chain management policy of the municipality and of any municipal entity under its sole or share control, to the council of the municipality.</p> <p>The report on implementation of the supply chain management policy was submitted after 30 days (on the 26th of September 2013).</p> <p>This may result in non-compliance with SCM regulations</p>				
Pg 93 AF 35	Procurement- Compliance- Family interest	<p>The following persons in service of the municipality had private or business interests in contracts awarded by the municipality and failed to disclose such interest, as required by SCM regulation 46(2)(e)/ the code of conduct for Councilors issued in terms of the Municipal Systems Act/ the code of conduct for staff members issued in terms of the Municipal Systems Act.</p> <p>Furthermore, section 44 of the SCM regulations prohibits awards to the employees of the state.</p> <p>The following awards were made to supplier(s) in which the following persons in service of the municipality had a business or private interest:</p>		<ol style="list-style-type: none"> <li>1. Declaration of interest forms will be circulated to officials working for Mbombela Local Municipality.</li> <li>2. An awareness campaign will be held in using users forums to conscientise officials about the provisions of SCM regulation 44 and 45</li> </ol>	Financial Services : SCM	30 June 2014
Pg 94 AF 37	Revenue- Internal controls- Lack of segregation of duties	<p>In terms of the Municipal Financial Management Act (s)62(1)(c)(i):</p> <p>General Financial Management functions: The accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial risk management and internal control</p> <p>i. The Chief accountant is responsible for opening new accounts for lessees in respect of the rental of the facilities of</p>		The internal controls have been enhanced by the filling of the position of Clerk Grade 1 who will be responsible for opening of lessees' accounts in order to have segregation of duties	Financial Services	30 June 2014

		the municipality ii. She is also responsible for invoicing the lessees and there are no evidence that there are review processes in place													
Pg 100 AF 39	Consumer deposits- Difference- FV adjustments and impairments	Section 32 (4) of the MFMA requires the accounting officer to promptly inform the mayor, the MEC for Local Government in the Province and the Auditor-General, in writing, of—  a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the Municipality;  b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and  c) the steps that have been taken—to recover or rectify such expenditure; and to prevent a recurrence of such expenditure  However, no proof of reports was submitted to the MEC and Auditor- General.		A correction of error journal will be made and the audited figures will be restated during the preparation of the 2013/2014 annual financial statements	Financial Services : Revenue Management	31 August 2014									
Pg 102 AF 40	Consumer Deposits- Compliance- Deposits not paid	The following accounts/consumers did not pay a consumer deposit for services: <table border="1" data-bbox="405 1015 976 1126"> <thead> <tr> <th>No</th> <th>Unit No</th> <th>Acc No</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>40000800001259000000000000</td> <td>1858512</td> </tr> <tr> <td>2</td> <td>30000000000005900000000000</td> <td>1180892</td> </tr> </tbody> </table> This would be none compliance with debtors policy within the municipality	No	Unit No	Acc No	1	40000800001259000000000000	1858512	2	30000000000005900000000000	1180892		1. Deposits will be raised on the identified accounts;  2. Furthermore in mitigate the non-compliance the following will be implemented during 2014/2015:  i. Development of a consumer deposit structure to manage the deposits.  ii. Review consumer deposits for correct classification in terms of the developed consumer deposit structure.	Financial Services : Revenue Management	
No	Unit No	Acc No													
1	40000800001259000000000000	1858512													
2	30000000000005900000000000	1180892													

				<p>iii. Implementation of the approved consumer deposit policy</p> <p>iv. Ensure alignment of deposit structure with the credit control and debt collection policy</p>		
<p>Pg 104</p> <p>AF 42</p>	<p>AOPO- None compliance- Municipal Planning and Performance Management Regulations Reg. 14(4)(a)(i)</p>	<p>Municipal Planning and Performance Management Regulations (GNR 796 of 24 August 2001) Reg. 14(4)(a)(i) and 14(b) requires the performance audit committee (or audit committee, if performing this function), to reviewed the quarterly reports submitted by the internal auditors on their audits of performance measurement.</p> <p>The performance audit committee did not review the quarterly internal audit reports on performance measurement, as required by Municipal planning and performance management regulation 14(4)(a)(i).</p> <p>This will result in none compliance with performance management regulations</p>		<p>Quarterly performance reports will be reviewed by the Audit Committee on a quarterly basis</p>	<p>Internal Audit</p>	<p>30 June 2014</p>
<p>Pg 111</p> <p>AF 44</p>	<p>AOPO- Internal controls- Road maintenance policy not in place</p>	<p>In terms of Municipal Systems Act section 40, a municipality must establish mechanisms to monitor and review its performance management systems.</p> <p>However, the municipality did not have a documented and approved internal plan for the maintenance of roads.</p> <p>This will result in none compliance with the MSA</p> <p>The municipality struggle to be able to perform standard road maintenance and this also presents the municipality with difficulties in monitoring the quality and work of consultants and contractors.</p>		<p>1. A Roads Asset Management Plan (AMP) must be approved by Council to commit resources for planned maintenance. The plan was developed, completed and submitted to Council for approval in the 2013/14 FY but its approval has been delayed, pending a presentation to the Mayoral Caucus which has been postponed several times. Maintenance programs are included in AMP and a copy was provided to the Audit General. The approval of the AMP will be fast-tracked through the Office of the MMC and a Maintenance Policy or Plan will then be budgeted for and compiled in</p>	<p>Technical Services</p>	<p>30 June 2014</p>

				<p>the 2014/15 FY.</p> <p>2. Most of the roads maintenance work is done by own personnel and contractors within very constrained resources only and budget which allows re-active maintenance. The roads and stormwater maintenance budget will be increased in the 2014/15 FY for routine maintenance.</p> <p>3. Capacity building within the Technical Services Department initiated in the 2012/13 and 2013/14 will be enhanced with a focus on contracts management to deal with rapid processing and verification of requisitions for work done on construction projects.</p> <p>4. Progress reporting meetings with Consultants are held on a monthly basis. Attendance of these meeting will be improved will sound tracking systems for resolutions taken.</p>		
Pg 112 AF 45	AOPO- Internal controls- Road asset management system not in place	<p>In terms of Municipal Systems Act section 40, a municipality must establish mechanisms to monitor and review its performance management systems.</p> <p>During the conduct of the 2012/2013, it was noted he Municipality does not have a road asset management system.</p> <p>This will result in none compliance with the MSA This causes the municipality not to have a proper audit trail for each road infrastructure which creates difficulties in verifying the accuracy, completeness and validity of road assets.</p>		<p>1. A Roads Asset Management Plan (AMP) must be approved by Council to commit resources for planned maintenance. The plan was developed, completed and submitted to Council for approval in the 2013/14 FY but its approval has been delayed, pending a presentation to the Mayoral Caucus which has been postponed several times. Maintenance programs are included in AMP and a copy was provided to the Audit General. The approval of the AMP will be fast-</p>	Technical Services	30 June 2014

**Comment [LZ1]:**

				tracked through the Office of the MMC and a Maintenance Policy or Plan will then be budgeted for and compiled in the 2014/15 FY.		
Pg 113 AF 46	AOPO- Internal controls- The Municipality under spent the MIG	<p>According to MFMA section 100 Budget implementation.—The accounting officer of a municipal entity is responsible for implementing the entity’s budget, including taking effective and appropriate steps to ensure the spending of funds is in accordance with the budget;</p> <p>The municipality under spent the MIG funding on roads infrastructure by R 111,000,000 and the R 92 ,534 2,33.34 on the PTIS.</p> <p>The municipality under spent on its grant due to projects being delayed due to the non-delegation of powers by the MM, therefore delaying the procurement process of the project. An appropriate delegation of authority has not been approved to ensure that projects are approved in an efficient manner.</p> <p>This would result in non-compliance with the MFMA section 100</p>		<ol style="list-style-type: none"> <li>1. Capacity building within the Project Implementation Unit (PIU) initiated in the 2012/13 FY has improved the registration of MIG Projects and approval of Technical Reports. The capacity building programme will be improved with a focus on contracts management to deal with under-performing consultants and contractors</li> <li>2. Support consultants have been appointed to offer support in the implementation of transport infrastructure projects.</li> <li>3. Improved projects planning will enable the municipality to expedite the appointment of service providers for ensuing FYs in light of possible delays in procurement processes. This will improve project spending and better management.</li> <li>4. Approval of delegation of powers for Senior Management must be revised and approved by the Accounting Officer.</li> </ol>	Technical Services	30 June 2014
Pg 114 AF 47	AOPO- Internal controls- Targets not achieved on construction of new	Budget implementation.—The accounting officer of a municipal entity is responsible for implementing the entity’s budget, including taking effective and appropriate steps to ensure that—		1. Capacity building within the Project Implementation Unit (PIU) initiated in the 2012/13 FY has improved the registration of MIG Projects and	Technical Services	30 June 2014



	roads	<p>i. the spending of funds is in accordance with the budget;</p> <p>ii. revenue and expenditure are properly monitored;</p> <p>iii. and spending is reduced as necessary when revenue is anticipated to be less than projected in the budget</p> <p>Targets for the construction of new roads was not achieved</p> <p>Delays in implementing projects caused due to the MM having to sign all procurement certificate, appointment letter, and bid adjudication and specification minutes. An appropriate delegation of authority has not been approved to ensure that projects are approved in an efficient manner.</p> <p>Non-compliance with section 100 of the MFMA</p>		<p>approval of Technical Reports. The capacity building programme will be improved with a focus on contracts management to deal with monitoring and under-performing consultants and contractors</p> <p>2. Improved projects planning will enable the municipality to expedite the appointment of service providers for ensuing FYs in light of possible delays in procurement processes. This will improve project spending and better management.</p> <p>3. Approval of delegation of powers for Senior Management must be revised and approved by the Accounting Officer.</p>		
Pg 115 AF 48	AOPO- Internal controls- Targets for sanitation to households not achieved	<p>Budget implementation.—The accounting officer of a municipal entity is responsible for Implementing the entity's budget, including taking effective and appropriate steps to ensure that—</p> <p>i. the spending of funds is in accordance with the budget;</p> <p>ii. revenue and expenditure are properly monitored; and</p> <p>iii. spending is reduced as necessary when revenue is anticipated to be less than projected in</p> <p>iv. the budget</p> <p>Targets for providing access of basic water to households for the 2011-12 and the 2012-13 financial years were not achievedM.12.1</p> <p>Delays in implementing projects caused due to the MM having to sign all procurement certificate, appointment letter, and bid adjudication and specification minutes. An appropriate</p>		<p>1. Capacity building within the Project Implementation Unit (PIU) initiated in the 2012/13 FY has improved the registration of MIG Projects and approval of Technical Reports. The capacity building programme will be improved with a focus on contracts management to deal with under-performing consultants and contractors</p> <p>2. The procurement of technical support consultants for the water and sanitation projects was initiated and is at bid adjudication stage. This will increase the project planning, initiation, implementation and management capacity within the Water and Sanitation Unit, amongst other deliverables</p>	Technical Services	30 June 2014

		delegation of authority has not been approved to ensure that projects are approved in an efficient manner		<p>3. Improved projects planning will enable the municipality to expedite the appointment of service providers for ensuing FYs in light of possible delays in procurement processes. This will improve project spending and better management.</p> <p>4. Approval of delegation of powers for Senior Management must be revised and approved by the Accounting Officer.</p>		
Pg 116 AF 49	AOPO- Internal controls- The targets basic sanitation to households	<p>Budget implementation.—the accounting officer of a municipal entity is responsible for implementing the entity’s budget, including taking effective and appropriate steps to ensure that—</p> <ol style="list-style-type: none"> <li>i. the spending of funds is in accordance with the budget;</li> <li>ii. revenue and expenditure are properly monitored; and</li> <li>iii. spending is reduced as necessary when revenue is anticipated to be less than projected in</li> <li>iv. the budget</li> </ol> <p>Targets for providing access of basic sanitation to households for the 2011-12 and the 2012-13 financial years were not achieved.</p> <p>Delays in implementing projects caused due to the MM having to sign all procurement certificate, appointment letter, and bid adjudication and specification minutes. An appropriate delegation of authority has not been approved to ensure that projects are approved in an efficient manner.</p>		<ol style="list-style-type: none"> <li>1. Capacity building within the Project Implementation Unit (PIU) initiated in the 2012/13 FY has improved the registration of MIG Projects and approval of Technical Reports. The capacity building programme will be improved with a focus on contracts management to deal with under-performing consultants and contractors</li> <li>2. The procurement of technical support consultants for the water and sanitation projects was initiated and is at bid adjudication stage. This will increase the project planning, initiation, implementation and management capacity within the Water and Sanitation Unit, amongst other deliverables</li> <li>3. Improved projects planning will enable the municipality to expedite the appointment of service providers for ensuing FYs in light of possible delays in procurement processes. This will improve project spending and better</li> </ol>	Technical Services	30 June 2014

				management. 4. Approval of delegation of powers for Senior Management must be revised and approved by the Accounting Officer.		
<b>INFORMATION SYSTEMS AUDIT (ISA) FINDINGS</b>						
Pg 117 AF 50 (1)	SECURITY MANAGEMENT	Management had not designed adequate security management controls (e.g. policies, procedures, guidelines) for the firewall. As a result, the following key risks were identified: •As previously reported, a draft information and communication technology (ICT) security policy exist that still needs to be tabled for approval at the municipal council. (Refer to detailed finding, annexure B, and paragraph 1.1) •The ASA software was outdated as it did not have the latest updates installed. (Refer to detailed finding, annexure B, and paragraph 1.2)		The ICT policy is awaiting recommendation at LLF and approval from Council The Adaptive Security Appliance firewall software has been updated after thorough testing and piloting.	ICT	30 June 2014
Pg 118 AF 50 (2)	USER ACCESS CONTROL	The controls designed by management were not consistently complied with to ensure that key risks would be adequately mitigated. As a result, the following were not adequately implemented: • The Venus and Payday user account management policy and procedures did not include the frequency for reviews of (user access rights review and system admin activities review) (Refer to detailed finding, annexure B, and paragraph 2.1) • Reviews were not conducted on the Venus system administrator's activities due to system limitations. (Refer to detailed finding, annexure B, and paragraph 2.1) • The review performed on the PayDay system administrator activities was not sufficient to mitigate the risk, as the reports obtained from the system did not show the system administrator's activities (user creations, password resets, profile changes and termination of access rights) performed. (Refer to detailed finding, annexure B, and	1	2. An audit trail report for system administrators on Venus has become available from 2013/2014 financial year. This audit trail will enable the review of system administrator's activities regarding the creation of users, profile changes and termination of access rights.  3. The Venus user account management policy and procedure will be revised by end of February 2014 in order to specify the frequency for access control reviews. The reviews will be conducted at least on an annual basis.  4. The PayDay user account	Financial Services	30 June 2014

		<p>paragraph 2.1)</p> <ul style="list-style-type: none"> <li>There are no formally documented user account management standards and procedures for the Cash Focus system, which resulted in the identification of some weaknesses in the management of user accounts, such as the lack of review of administrator activities, user access rights, access and logon violations reports and the lack of a requirement for formal user access request documentation to be completed for access and changes to the Cash Focus system. (Refer to detailed finding, annexure B, and paragraph 2.1)</li> </ul>		<p>management policy and procedure will be revised by end of February 2014 in order to specify the frequency for access control reviews. The reviews will be conducted at least on an annual basis.</p> <p>5. The user account management policy and procedure for Cashfocus will be developed by February 2014.</p> <p>6. The municipality will be implementing the Business Integrator Online for the purpose of electronic transfers – the envisaged finalization of implementation is end March 2014</p>		
<p>Pg 121 AF 50 (3)</p>	<p>INFORMATION TECHNOLOGY SERVICE CONTINUITY</p>	<p>IT management had not formally designed IT service continuity controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. As a result, the following financial risks were not addressed:</p> <ul style="list-style-type: none"> <li>A formal, comprehensive and approved business continuity plan (BCP) and a disaster recovery plan (DRP) which is a component of the BCP, had not been established for the Municipality, as previously reported. However the municipality was in process of issuing a Request for proposal for the development of a BCP and DRP. It was further noted that management had committed to an implementation date of 30 June 2014. This matter was also reported in the 2011/12 financial year. (Refer to detailed finding, annexure B, and paragraph 2.1</li> </ul>		<ul style="list-style-type: none"> <li>Awaiting to be advertised but has served at the Bid specifications committee.</li> </ul>	<p>ICT</p>	<p>30 June 2014</p>