

**DEPARTMENT OF
COMMUNITY SERVICES**

**(FORMER EMNAMBITHI
MUNICIPALITY)**

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>1. Trafman reviews could not be obtained</p> <p>The following signed and approved reviews could not be obtained for Trafman:</p> <p>a) User access reviews b) Administrator activity reviews c) Audit trail reviews d) Invalid logon attempt reviews</p> <p>Management may be unaware of the accuracy of access granted on Trafman. Access granted may not be in line with user responsibilities.</p> <p><u>AG RECOMMENDATION</u> Management should contact the service provider to enable the extraction of such reports on Trafman. These reports should be extracted, reviewed and signed off as approved by appropriate levels of management on a periodic basis.</p> <p>Management should also follow</p>	<p>1. Management will engage the service provider to enable the extraction of the following reports from Trafman:</p> <p>a) User access reviews b) Administrator activity reviews c) Audit trail reviews d) Invalid logon attempt reviews</p> <p>2. These reports will then be extracted, reviewed and signed off by the Manager Community Services on a quarterly basis.</p>	31/03/2017	EXECUTIVE DIRECTOR: COMMUNITY SERVICES	<p>1. The service provider Magna FS was contacted and they enabled the extraction of the following reports from Trafman:</p> <p>a) User access reviews, b) Administrator activity reviews. c) Audit trail reviews d) Invalid login attempt reviews.</p> <p>It was determined that the Community Services: Public Safety would extract the abovementioned reports from Trafman on a weekly basis and then have said reports reviewed and approved by management after which point the documentation would be filed accordingly.</p> <p>In addition it was resolved that in order to keep track of why</p>	Trafman reviews are now being extracted and reviewed by management. Implementation is on going

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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up on exceptions noted through to resolution.				administrative changes (e.g.: The change in functions of a user or a password reset) were carried out an internal form in this regard would be compiled and utilised to track administrative/supervisory changes.	
2. Inadequate password configurations on Trafman It was noted that the following has not been configured for passwords on Trafman due to system limitations: a)Invalid logon attempt limits b>Password history c>Password expiry Inadequate password configurations increase the risk of unauthorised users gaining access to the system. Such access could be used to perform sensitive or harmful activities which may affect business	Management will contact the service provider to determine options for implementing the additional password configurations on Trafman, to ensure that configurations reflect the following in line with leading practice: a)Invalid logon attempt limit – 3 b>Password history – 12 passwords c>Password expiry – 30 days	31/03/2017	EXECUTIVE DIRECTOR: COMMUNITY SERVICES	The Service Provider Magna FS was contacted and the following was determined: a)Invalid logon attempt limit – 3 Ms Mccann advised that after 3 logon attempts the Trafman System automatically logged the user out, however the system did not lock the user out. It was decided	We have confirmed the communication with the Trafman Service Provider. This is a system limitation. Awaiting feedback from Service Provider.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>operations.</p> <p><u>AG RECOMMENDATION</u></p> <p>Management should contact the service provider to determine options for implementing the additional password configurations on Trafman. The configurations should reflect the following in line with leading practice:</p> <p>a)Invalid logon attempt limit – 3</p> <p>b)Password history – 12 passwords</p> <p>c)Password expiry – 30 days</p>				<p>that as the system needed to limit the logon attempt and lock out the user in the event of 3 incorrect passwords, the matter would have to be further addressed with the Trafman developers at Magna FS who would then work further on the matter.</p> <p>b)Password history – 12 passwords</p> <p>Ms McCann advised that at present the password could be reused every four (4) cycles. It was decided that as the system needed to allow for a password to be reused only every twelve (12) cycles, the matter</p>	

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
				<p>would have to be further addressed with the Trafman developers at Magna FS who would then work further on the matter.</p> <p>c)Password expiry – 30 days Ms McCann advised that the current password expiry occurs every fourteen (14) days. She further advised that this information could only be accessed via the Service Provider but provided a printout in this regard at the Community Services Offices on 1st March 2017. (Copy attached) It was decided that as the system needed to</p>	



ACTION PLAN FOR AUDIT QUERIES 2015-2016

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				allow for this to be viewed by a municipal administrator, the matter would have to be further addressed with the Trafman developers at Magna FS who would then work further on the matter.	

DEPARTMENT OF FINANCE

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ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
Emphasis of Matter: Material Impairments: As disclosed in note 10 to the AFS, material impairments to the amount of R2.8 million were incurred as a result of the municipality not implementing adequate processes for the collection of outstanding debtors.	1. Maintain a fully Functional Credit Control Action Committee to deal with debt management and collection. 2. Strict Implementation of Debt Collection Management Policy. 3. Development and Implementation of Revenue Enhancement Strategy.	30/06/2017	CFO	1. Bi-weekly credit control meetings are held. 2. The Debt Collection Policy has been reviewed and approved by council. The implementation of the policy is an ongoing process. 3. The Revenue Enhancement Strategy has been approved by MCM and is going to be workshopped to councilors in May 2017 together with other relevant policies. 4. The municipality has implemented a 50% incentive drive to increase collection rates. The drive has been a success	1. Credit Control Meetings are held. Reviewed minutes. 2. The Debt collection Policy was reviewed and approved by council. Reviewed minutes. 3. The Revenue enhancement strategy was approved by MCM. Implementation of these documents is an ongoing process.
1. Supply chain management policy not aligned to the supply chain management regulations. During the audit of the supply chain management policy, it was established that the supply chain	The Municipality will amend its supply chain management policy to ensure that the policy is aligned to the supply chain management regulations:	30/04/2017	CFO	The SCM policy has been reviewed and amended with the Adjustments Budget process in February 2017. LC 32/02/2017.	Complete. The SCM policy has been reviewed and amended with the Adjustments Budget process in February 2017. Refer to LC



ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p>management policy does not provide for the requirements of the following supply chain management regulations:</p> <ul style="list-style-type: none"> • section 15 (a) and (c); • section 16 (e); • section 18 (b) and (c); and • section 21 (iv). <p><u>AG RECOMMENDATION</u></p> <p><i>The chief financial officer should review the supply chain management policy to ensure that the policy is aligned to the supply chain management regulations. Furthermore, the supply chain management policy should be reviewed on an annual basis.</i></p> <p><i>The supply chain management policy should be amended to include the abovementioned regulation in terms of the municipal supply chain regulations.</i></p>	<ul style="list-style-type: none"> • section 15 (a) and (c); • section 16 (e); • section 18 (b) and (c); and • section 21 (iv). 				32/02/2017:

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>2. Suppliers in service of the state While performing the audit of SCM some of the suppliers were identified as suppliers in service of the state</p> <p><u>AG RECOMMENDATION</u></p> <p>The SCM manager must create a data base of suppliers in the service of the state. Suppliers must be assessed against the data base of suppliers prior to awarding contracts. Where interests are identified, suppliers must be excluded from the SCM processes.</p>	<p>The Municipality will create a database of the suppliers identified as being in the service of the state and ensure that the municipality does not do business with them to prevent such from occurring in future.</p> <p>(However it must be noted that it's not always permanent for anyone to be in the service of the state that's why suppliers usually declare annually so the database may also somehow be misleading when the status changes.)</p>	31/01/2017	CFO Assistant Manager: SCM	<p>SCM section has created a database of the suppliers identified as being in the service of the state.</p> <p>(However it must be noted that it's not always permanent for anyone to be in the service of the state that's why we request suppliers to declare annually)</p>	Database has been created however implementation is on-going
<p>3.Councillors remunerated above the limit During the audit of the remuneration of councillors it was noted that some councillors were remunerated above the upper limit as determined in the Government Gazette No.39548</p>	<p>1. The municipality will endeavor to recover this amount in terms of Council's Credit Control and Debt Management Policy.</p>	30/06/2017	CFO	<p>1. The municipality has disclosed the above amount as Fruitless and Wasteful Expenditure in the Amended AFS 2015-2016.</p>	Internal Audit section has verified that the Salary Section has deducted these amounts when doing the councilors back pay in October 2016.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p><u>AG RECOMMENDATION</u></p> <p>The municipality should implement steps to recover the over payment made to councillors.</p> <p>The assistant manager: financial accounting should ensure that the calculations is properly reviewed prior to councillors being remunerated.</p>				<p>2. The Salary Section has deducted these amounts when doing the councilors back pay in October 2016.</p> <p>3. On a monthly basis the salary run is checked by the Accountant Salaries.</p>	The Salary reconciliation in an on-going process.
<p>4. Incorrect classification of expenditure</p> <p>During the audit of general expenditure it was noted that some payments were incorrectly classified as general expenditure instead of being capitalised to assets.</p> <p><u>AG RECOMMENDATION</u></p> <p>The entire population of general expenditure should be reviewed to identify further misclassifications. The Manager: Financial Statements should reclassify the identified</p>	<p>1. Mid year AFS 2016-2017 will be compiled by 31/03/2017 to ensure errors and misstatements are identified early in the year.</p>	31/03/2017	CFO	<p>1. The Fixed Assets register and Annual Financial Statements have been amended and submitted to the AG in November 2016.</p> <p>2. Draft mid year financial statements have been compiled and is in the process of review by Finance management and Internal Audit.</p>	Draft Mid Term Financial Statements have been compiled. Internal Audit has audited the Midterm AFS and a report has been issued to management.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p>transactions into their correct votes and provide supporting documents for all correction to the auditors.</p> <p>The accounting officer should strengthen internal controls over the review of captured information to enable the detection and correction of errors.</p>					
<p>5. Payments not made within 30 days</p> <p>During the audit of expenditure management it was noted that some transactions payments to the suppliers were not made within 30 days:</p> <p><u>AG RECOMMENDATION</u></p> <p>The chief financial officer must ensure that creditors register is followed up on a timely basis to facilitate payment of invoices within 30 days of receipt.</p> <p>Appropriate action must be taken against all non-complying staff.</p>	<p>1. A monthly creditors register will be implemented and monitored from January 2017 to facilitate payment of invoices within 30 days of receipt.</p> <p>2. Disciplinary Action will be taken against all staff who do not comply.</p>	<p>Monthly with effect from January 2017</p>	<p>CFO</p>	<p>Monthly creditors register has been implemented and monitored to facilitate payment of invoices within 30 days of receipt.</p> <p>There is a standing item on MCM agenda.</p> <p>On a monthly basis non-compliance of staff is monitored.</p>	<p>Monthly creditors register has been implemented, and an item is submitted to MCM.</p> <p>There are still payments not made within 30 days.</p>

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>6. Fruitless and wasteful expenditure during training of ward committee members</p> <p>During the audit of expenditure it was noted that the following payment was for 135 ward committee members attending training when only 119 attended based on the registers, this resulted in fruitless and wasteful expenditure.</p> <p><u>AG RECOMMENDATION</u> <i>The amount should be disclosed as fruitless and wasteful expenditure and the municipality should take steps to recover the amount.</i></p>	<p>1. The municipality will endeavor to recover this amount in terms of Council's Credit Control and Debt Management Policy by 30/06/2017.</p> <p>2. This will also be disclosed to Council.</p>	30/06/2017	CFO	<p>1. The expenditure incurred was disclosed as Fruitless and Wasteful Expenditure in the amended Annual Financial Statements and submitted to the AG in November 2016.</p> <p>2. The SCM Section is in the process of gathering information on this matter, and an item will be submitted to Council in April 2017.</p>	Internal Audit will follow-up in April 2017 on the submission of the item to council.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p>7. Assets - Square metre on the register does not agree to the Deed information.</p> <p>Audit Finding</p> <p>Some investment property, heritage and land assets has been noted to have differences in dimensions when compared to the deed information resulting in an overstatement of the value of the assets.</p> <p><u>AG RECOMMENDATION</u></p> <p><i>Management should review the entire population of investment property to identify additional properties that may have been incorrectly measured and adjust the financial statements accordingly. All changes should be provided for audit purposes together with supporting documents</i></p> <p><i>Management should review the valuation roll and asset register regularly to ensure that details captured are accurate.</i></p>	<p>1. The investment property register was reviewed and amended in Annual Financial Statements and submitted to the AG in November 2016.</p> <p>2. Monthly asset reconciliations of all asset registers will be conducted from January 2017 to ensure that errors and misstatements are identified early in the year.</p>	Monthly with effect from January 2017	CFO	<p>The municipality has appointed a consultant to conduct the general valuation roll. With this process the square metres and dimensions of properties will be rectified. The valuation roll is complete and was on public display for objections till 13/04/2017. There were 1200 public objections and 2300 municipal objections. The municipal valuer is in the process on investigating these objections which is expected to be finalized by 31/05/2017.</p>	Internal Audit to verify once finalized.
8. Heritage asset not presented	1. The Lynch gate was	31/03/2017	CFO	The item to council	No evidence that item

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>for verification</p> <p>Heritage asset (Lynch gate) could not be physically verified:</p> <p><u>AG RECOMMENDATION</u></p> <p><i>Management should perform thorough and regular physical verification of assets.</i></p> <p><i>Results of physical verifications should be reviewed and discrepancies should be followed up timeously</i></p>	<p>vandalized and this was reported to Management during the verification process. This will be reported to Council for write off in order to be removed from the Fixed Asset Register by March 2017.</p> <p>2. Monthly asset reconciliations of all asset registers will be conducted from January 2017 to ensure that errors and misstatements are identified early in the year.</p>	<p>Monthly with effect from January 2017</p>		<p>has been drafted in order to obtain permission to write-off the Lynch Gate as per our Asset Management Policy and will be submitted to council in May 2017.</p>	<p>has been submitted to council. Internal Audit will verify the information once it has been submitted to council.</p>
<p>9. Land on fixed asset register is not owned by the municipality</p> <p>During the physical verification of vacant land, some land was found to have a residential building thereon, on further inquiry of the resident produced title deeds to the property. Therefore the property should not be classified as vacant municipal land.</p>	<p>1. We disagree with the finding. According to the Deeds Office, ownership and registration refers to the former Colenso Local Council which was later incorporated to the former Emnambithi/Ladysmith Local Council which is currently referred to as being the Alfred Duma Local Council. We agree that there is a permanent structure but it is an illegal occupation of</p>	<p>Monthly with effect from January 2017</p>	<p>CFO</p>	<p>MCM resolved that the Housing Department must enlist all the illegal occupations and submit to council for decision in order to update the register accordingly. The Manager Housing is currently on the implementation phase of this plan in order to address the above matter which will be</p>	<p>Internal Audit to audit investment property during the audit of Asset Management</p>

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p><u>AG RECOMMENDATION</u></p> <p>Management should review the entire population of land assets to identify additional properties that may have been sold and adjust the financial statements accordingly. All changes should be provided for audit purposes together with supporting documents.</p> <p>Management should further ensure that there is a system in place to ensure that investment property is recorded correctly and that all movement in properties is correctly documented and supported.</p> <p>Regular reconciliations should be performed by the asset staff to ensure that the investment property register is updated regularly so that all properties are recorded.</p>	<p>Municipal property.</p> <p>2. Monthly asset reconciliations of all asset registers will be conducted from January 2017 to ensure that errors and misstatements are identified early in the year.</p>			complete by 31/05/2017.	

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>10. Contract register incomplete</p> <p>During the audit of the completeness of the contracts register, it was noted that some awarded bids did not appear in the contracts register:</p> <p><u>AG RECOMMENDATION</u></p> <p>Management must ensure that regular reconciliations are conducted between bids awarded and bids appearing in the contracts register.</p> <p>Management should ensure that an accurate and complete contracts register is maintained to support the commitments balance as disclosed in the annual financial statements.</p> <p>Management should revisit the total number of bids awarded and update the contracts register to reflect a complete contracts register.</p>	<p>1. Management will ensure that quarterly reconciliations are conducted between bids awarded and bids appearing in the contracts register.</p> <p>2. Management will ensure that on a monthly basis the contracts register is maintained to support the commitments balance as disclosed in the annual financial statements.</p>	Monthly with effect from January 2017	CFO	The contract register is updated as soon as a bid is awarded.	<p>Internal Audit has verified that a monthly bid awarded register is in place.</p> <p>However there is no evidence of any reconciliation done between the bids awarded register and the contract payment register.</p>

17

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>11. Incorrect standby pay amount reimbursed to employee</p> <p>An instance was noted where an employee was reimbursed standby pay for 12 Sundays instead of four Sundays.</p> <p>Municipal management may be unaware of employees who are being overcompensated. These activities may go by unnoticed for extended period of time and could be used to perform fraudulent activities. This may impact the financial reporting at Emnambithi Ladysmith Municipality.</p> <p><u>AG RECOMMENDATION</u></p> <p>Management should ensure that standby pay records are reviewed prior to being paid out to employees. Errors identified after employees are paid out should be reflected in standby pay of that employee in the following month.</p>	<p>1. The Accountant Salary Office will ensure that standby records are reviewed prior to being paid out to employees.</p>	<p>Monthly with effect from January 2017</p>	<p>CFO</p>	<p>1. The municipality has recovered this amount from the employee in the November 2016 salary month.</p> <p>2. Monthly salary related reconciliations are conducted by the Accountant Salary Office.</p>	<p>The standby was recovered from the employee in November 2015.</p> <p>Implementation is on going</p>

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p>12. Municipal owned property allocated to an individual and found on the valuation roll It was noted that ERF no 937 Ezakheni C belongs to the municipality however, it was allocated to an individual owner on the valuation roll.</p> <p><u>AG RECOMMENDATION</u> Management should ensure that properties are captured correctly on their respective fixed assed register, valuation roll, deeds register or investment properties register.</p>	<p>1. The supplementary Valuation roll will be imported into the MunSoft Financial system by 31/03/2017.</p> <p>2. Monthly asset reconciliations of all asset registers will be conducted from January 2017 to ensure that errors and misstatements are identified early in the year.</p>	<p>31 March 2017</p> <p>Monthly with effect from January 2017</p>	CFO	<p>1. The Valuation roll has been corrected from a tariff 16 to tariff 29 which is municipal vacant property and ownership has been changed.</p> <p>2. The supplementary valuation roll is complete.</p> <p>3. The supplementary Valuation roll is in the process of being imported into the MUNSOFT Financial.</p>	Internal Audit to verify once finalized.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>13. Requisition Form Not signed by Head of Department</p> <p>On review of the inventory business process it was noted that store requisition forms (document number 48855 & 48856) from the department of engineering, that the head of department is not approving/signing the requisition of inventory where the form is designed to be signed by the head of department. Employees may request inventory for their own/private use or purposes that could result to misuse of the municipality's assets/Inventory.</p> <p><u>AG RECOMMENDATION</u></p> <p>The relevant head of department should approve requisitions, by signing these forms for inventory needed by the respective departments.</p> <p>The Inventory department should issue inventory on receipt of approved requisition forms</p>	<p>1. The Stores Section will ensure that the relevant head of department should approve requisitions, by signing these forms for inventory needed by the respective departments.</p> <p>2. The Stores Section will ensure that requisitions that are not signed by the relevant Head of Department will not be considered for issuing of stock items.</p>	<p>Monthly with effect from January 2017</p>	<p>CFO</p>	<p>The Stores Section does not release goods without the signature of the authorized employee.</p> <p>This was a departmental internal issue within the Engineering Stores Yard for their control systems.</p>	<p>Internal Audit verified a sample of requisitions. From stores. All were in order.</p>



DEPARTMENT OF CORPORATE SERVICES

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ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p><u>AG QUERIES 2015/2016</u></p> <p>1. Disaster Recovery Plan / Business Continuity Plan not tested</p> <p>Cognisance has been taken that the Disaster Recovery Plan/ Business Continuity Plan ("DRP/ BCP") document has now been approved and implemented however it was noted that the DRP/ BCP has had not been tested during the period under review. It was further noted that the DRP/ BCP document does not detail the requirement, process and frequency for testing</p> <p><u>AG RECOMMENDATION</u></p> <p>Management should ensure that a new service provider is engaged to test the DRP/ BCP. Lessons learnt should be incorporated into the DRP/ BCP document and results should be signed off and maintained. The detail of the lessons learnt should include</p>	<p>1. Management will ensure that a new service provider is engaged to develop and test the DRP/ BCP for Alfred Duma Local Municipality by 31/05/2017. The plan will contain detailed testing steps, time taken to complete each of the steps, relevant screenshots and feedback from the DRP/ BCP team on activities performed.</p> <p>2. The BCP/DRP Documentation will then be submitted to various committees and Council by 30/06/2017</p>	30/06/2017	EXECUTIVE DIRECTOR: CORP. SERVICES	<p>Implementation of BCP/DRP automated backup systems in progress.</p> <p>All servers are completed, currently implementing User Workstations.</p> <p>User workstations +/- 48% completed.</p>	Still in progress. Internal Audit to verify once finalized.



ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
detailed testing steps, time taken to complete each of the steps, relevant screenshots and feedback from the DRP/ BCP team on activities performed.					
2. Inadequate backup procedure/ process It was noted that backup processes and procedures have been included in the DRP/ BCP document however, the following processes and procedures have not been specified: <ul style="list-style-type: none"> • Backup strategy • Backup roles and responsibilities • Backup retention/ archival requirements • Backup schedule 	1. BCP/DRP Documentation will be updated to include the omitted backup processes and procedures by 31/05/2017. 2. The BCP/DRP Documentation will then be submitted to various committees and Council by 30/06/2017 3. The DRP/BCP document once approved will be communicated to staff members tasked with the activities included in the document by 30/06/2017.	31/05/2017	EXECUTIVE DIRECTOR: CORP. SERVICES	Implementation of automated backup systems in progress. Servers completed. Users: 48% completed. Backup procedures to be included in BCP/DRP. Annexure A	Still in progress. Internal Audit to verify once finalized.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<ul style="list-style-type: none"> Backup on-site and off-site location and requirements Backup media replacements and considerations <p><u>AG RECOMMENDATION</u> Management should ensure that the DRP/ BCP document has been updated to include the omitted backup processes and procedures. The DRP/BCP document should then be reviewed, approved and communicated to staff members tasked with the activities included in the document.</p>					
<p>3. Firewall configurations informally reviewed It was noted that the firewall configurations at the municipality are informally reviewed on a periodic basis however, evidence could not be obtained to show that they have been reviewed for inconsistencies and weaknesses</p>	<p>1. A new hardware firewall system was procured and implemented for the 2016/2017 financial in conjunction with the new Domain and Financial Systems in August 2017</p> <p>2. A formal review process</p>	30/05/2017	EXECUTIVE DIRECTOR: CORP. SERVICES	<p>Hardware firewall installed and configured. Routing being implemented to link all Council users to Domain system for complete security and reporting.</p> <p>Firewall reports</p>	<p>Internal Audit verified quarterly firewall report is extracted and reviewed by IT.</p> <p>Quarter 3 & 4 will be verified once finalized.</p>



ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p>during the financial period.</p> <p><u>AG RECOMMENDATION</u></p> <p>Management should ensure that formally documented firewall configuration reviews are performed on a periodic basis. Evidence of the reviews performed should be documented along with updates made in the event that configurations were inadequate.</p>	<p>will be implemented to identify inconsistencies and weaknesses with upon completion of the Alfred Duma Local municipality systems by 31/05/2017</p>			<p>extracted and reviewed quarterly.</p>	

DEPARTMENT OF FINANCE

**(FORMER INDAKA
MUNICIPALITY)**

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p>Emphasis of Matter: Material losses and Impairments:</p> <p>As disclosed in note 17 and 18 to the AFS, the municipality raised a provision for bad debt impairment amounting to R130,64 million on trade and other receivables as the recovery of these amounts are doubtful.</p>	<ol style="list-style-type: none"> 1. Maintain a fully Functional Credit Control Action Committee to deal with debt management and collection. 2. Strict Implementation of Debt Collection Management Policy. 3. Development and Implementation of Revenue Enhancement Strategy. 	30/06/2017	CFO	<ol style="list-style-type: none"> 1. Bi-weekly credit control meetings are held. 2. The Debt Collection Policy has been reviewed and approved by council. The implementation of the policy is an ongoing process. 3. The Revenue Enhancement Strategy has been approved by MCM and is going to council in April 2017 for approval. 4. The municipality has implemented a 50% incentive drive to increase collection rates. The drive has been a success. 	<ol style="list-style-type: none"> 1. Credit Control Meetings are held. Reviewed minutes. 2. The Debt collection Policy was reviewed and approved by council. Reviewed minutes. 3. The Revenue enhancement strategy was approved by MCM. Will await the approval by council. <p>Implementation of these documents is an ongoing process.</p>

ACTION PLAN FOR AUDIT QUERIES 2015-2016

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<p>1.Non-collection of long outstanding debtors</p> <p>During audit of Trade and other receivables, it was noted that the following amounts have been outstanding for more than 120 Days:</p> <ol style="list-style-type: none"> 1. Rates R 5 523 681.15 (95.10% of total rates outstanding) 2. Refuse R 1 042 345.85 (94.00% of total refuse outstanding) <p>It must also be noted that the rates outstanding for greater than 120 days has increased significantly from the prior year by 138.47%</p> <p><u>AG RECOMMENDATION</u> Management should ensure that mechanisms included in the policy for the collection of amounts owed are implemented. Such mechanisms include following up on outstanding debtors on a monthly basis, entering into agreements with debtors to collect</p>	<p>Management will review the Debt Collection Policy to ensure that mechanisms are included in the policy for the collection of outstanding debt.</p>	<p>31/03/2017</p>	<p>CFO</p>	<p>The Alfred Duma Local Municipality has a proper Debt Collection Policy and a credit control section which deals with outstanding debt.</p>	<p>1. Credit Control Meetings are held. Reviewed minutes. 2. The Debt collection Policy was reviewed and approved by council. Reviewed minutes. 3. Implementation of policy is an on going process.</p>



ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit															
equal installments.																				
<p>2. Deviations not disclosed in the financials</p> <p>During the audit of SCM process the following SCM deviations were not disclosed in note 39 to the annual financial statements.</p> <table><tr><th>Supplier</th><th>Date of award</th><th>Award value</th></tr><tr><td>Vuco Security</td><td>16-Sep-15</td><td>177 840.00</td></tr><tr><td>Sizowakha Security</td><td>26-Aug-15</td><td>164 250.00</td></tr><tr><td>Red Spike Security Services</td><td>14-Sep-15</td><td>647 520.00</td></tr><tr><td>Khanyisani Training Academy</td><td>14-Sep-15</td><td>545 377.14</td></tr></table> <p><u>AG RECOMMENDATION</u></p> <p>The CFO should implement adequate processes to ensure that all the disclosure items are accurately and completely recorded</p>	Supplier	Date of award	Award value	Vuco Security	16-Sep-15	177 840.00	Sizowakha Security	26-Aug-15	164 250.00	Red Spike Security Services	14-Sep-15	647 520.00	Khanyisani Training Academy	14-Sep-15	545 377.14	<p>1. On a monthly basis SCM deviation register will be updated and reported to council.</p> <p>2. During the preparation of the Mid term financial statements, amount as per the deviation register will be disclosed.</p>	<p>Monthly</p> <p>31/03/2017</p>	<p>CFO</p>	<p>1. The deviation register and disclosure in the notes of the Annual Financial Statements was updated and submitted to the AG.</p> <p>2. Draft mid year financial statements have been compiled and is in the process of review by Finance management and Internal Audit.</p>	<p>Draft Mid Term Financial Statements have been compiled. Internal Audit has audited the Midterm AFS and a report has been issued to management.</p>
Supplier	Date of award	Award value																		
Vuco Security	16-Sep-15	177 840.00																		
Sizowakha Security	26-Aug-15	164 250.00																		
Red Spike Security Services	14-Sep-15	647 520.00																		
Khanyisani Training Academy	14-Sep-15	545 377.14																		

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>3. Amount paid greater than the award amount</p> <p>During the audit of procurement and contract management, it was noted that the amount of payments to date exceed the contract amount and there was no supporting documents approving the award escalation.</p> <p>The actual misstatement is R146 984.75 based on the total population, this amounts to irregular expenditure and should be disclosed as such.</p> <p><u>AG RECOMMENDATION</u></p> <p>The irregular expenditure should be adjusted to cater for all the payments made above the award amounts.</p> <p>The Expenditure clerk should perform adequate reconciliations</p>	<p>1. Management will ensure that monthly reconciliations are conducted between bids awarded and bids appearing in the contracts register.</p>	Monthly	CFO	<p>1. The irregular expenditure register and the Disclosure in the Annual Financial Statements 2015-2016 has been amended, and submitted to AG.</p> <p>2. The contract register is updated as soon as a bid is awarded</p>	<p>Internal Audit has verified that a monthly bid awarded register is in place.</p> <p>However there is no evidence of any reconciliation done between the bids awarded registers and the contract payment register</p>

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
on a regular basis.					
4. Investigation of irregular, unauthorised and fruitless and wasteful expenditure During the audit of compliance with was noted that council did not investigate all instances of non- compliance relating to unauthorised, fruitless and wasteful and irregular expenditure. <u>AG RECOMMENDATION</u> All instances of irregular, unauthorised and fruitless and wasteful expenditure must be investigated and actions taken against non-complying staff.	1. All instances of irregular, unauthorised and fruitless and wasteful expenditure will be reported to council. 2. Investigations will be conducted and disciplinary action will be taken against non-complying staff.	Monthly	CFO	1. Irregular, unauthorised and fruitless and wasteful expenditure is reported on a monthly basis to Alfred Duma council. 2. The investigations are still in progress, noting many employees involved are no longer employed by Alfred Duma Municipality. 3. Once the investigations are complete, the outcomes will be submitted to council.	1. Irregular, unauthorised and fruitless and wasteful expenditure is reported on a monthly basis to Alfred Duma council. Reviewed minutes 2. The investigations and outcome of these cases are still in progress.
5. Transfer of completed work in progress assets to infrastructure assets During the audit of property, plant	2. Monthly asset reconciliations of all asset registers will be conducted from January 2017 to ensure that errors and	Monthly	CFO	1. The Work in progress schedule, Fixed Asset Register and Annual Financial Statements 2015-2016 have been amended and submitted	Draft Mid Term Financial Statements have been compiled.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Actions to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>and equipment, it was noted that the amounts reflected as additions to infrastructure asset was greater than the amounting transferred from work in progress.</p> <p><u>AG RECOMMENDATION</u></p> <p>The CFO and internal audit should adequately review the financial statement for accuracy prior to submission for audit.</p> <p>The CFO should make all the necessary corrections and provide the updated financial statements for audit purposes.</p>	<p>misstatements are identified early in the year.</p> <p>2. The mid term financial statements will be reviewed by the CFO and Internal Audit.</p>	31/03/2016		<p>to the AG.</p> <p>2. Draft mid year financial statements have been compiled and is in the process of review by Finance management.</p>	<p>Internal Audit is in the process of auditing the Midterm AFS and a final report will be issued to management.</p>



**DEPARTMENT OF
CORPORATE SERVICES**

**(FORMER INDAKA
MUNICIPALITY)**

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>1. Inconsistency between Leave register and Leave Provision</p> <p>4 employees per the leave pay provision schedule have different employee numbers when compared to the Leave Register and vice versa. Confirmation of the employee numbers were done by inspection of the actual employee file. This is a control deficiency that has arisen.</p> <p><u>AG RECOMMENDATION</u></p> <p>Management of HR needs to provide reasons for these inconsistencies between the leave records that HR maintains and what is given to Finance. These differences should not occur as the employee number is a unique identifier of a person at the municipality. Any difference in these records could lead to various issues.</p>	<p>Management will ensure that employee information is consistent in all departments. The HR Officer will ensure that all employee information will be verified for accuracy.</p>	<p>31/01/2017</p>	<p>Director Corporate Services</p>	<p>During the merger process, the HR Officer has verified all employee information for accuracy</p>	<p>Internal Audit selected a sample. No problems identified.</p>



PERFORMANCE MANAGEMENT SECTION

**(FORMER INDAKA
MUNICIPALITY)**

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>1. Performance management system not adopted by council</p> <p>In terms of Municipal Planning and Performance Management Regulations (GNR 796 of 24 August 2001) Reg 7 (1), adoption of the performance management system, a performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.</p> <p>There is no evidence of the adoption of the performance management framework by the municipality for the 2015/2016 year.</p> <p><u>AG RECOMMENDATION</u></p> <p>Steps should be taken to implement adequate processes and procedures to ensure that frameworks are approved and</p>	<p>The PMS Framework for Alfred Duma Local Municipality will be adopted by Council.</p>	<p>Complete</p>	<p>IDP/PMS MANAGER</p>	<p>The PMS Framework for Alfred Duma Local Municipality has been adopted by Council on the 31/08/2016.</p>	<p>Complete The PMS Framework for Alfred Duma Local Municipality was been adopted by Council on the 31/08/2016</p>

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
adopted.					
<p>2.SDBIP not approved by mayor</p> <p>The municipality did not comply with section 53(1)(c)(ii) of the Municipal Finance Management Act 56 of 2003 as they did not approve service delivery and budget implementation plan within 28 days of the budget.</p> <p><u>AG RECOMMENDATION</u></p> <p>Steps should be taken to ensure that adequate processes and procedures are in place to comply with the requirements of the MFMA. Management should review the existing compliance checklist for completeness of the applicable laws and regulation that the municipality is required to comply with. This checklist should be implemented and should be reviewed on a regular basis by accounting officer to ensure adequate implementation and oversight.</p>	<p>Steps will be taken to ensure that adequate processes and procedures are in place to comply with the requirements of the MFMA. The service delivery and budget implementation plan will be approved within 28 days of the budget.</p>	Complete	IDP/PMS MANAGER	<p>The Mayor of Alfred Duma Local Municipality has adopted and signed SDBIP within 28 days after the approval of budget on the 31/08/2016.</p>	<p>Complete.</p> <p>The Mayor of Alfred Duma Local Municipality has adopted and signed SDBIP within 28 days after the approval of budget on the 31/08/2016.</p>

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
<p>3. Adoption of IDP and notice to the public</p> <p>The municipality did not comply with section 25(4) of the MSA, as notice of adoption of the IDP was not provided to the public within the prescribed time frame of 14 days. In this regard, the IDP was adopted on the 29th of May 2015; however the notice was only given to the general public on the 19th of July 2015. Therefore such notice was only given 50 days after the adoption of the IDP.</p> <p><u>AG RECOMMENDATION</u></p> <p>Steps should be taken to ensure that adequate processes and procedures are in place to comply with the requirements of the MSA. Management should review the existing compliance checklist for completeness of the applicable laws and regulation that the municipality is required to comply with. This checklist should be implemented and should be reviewed on regular basis by the accounting officer to ensure</p>	<p>Steps will be taken to ensure that adequate processes and procedures are in place to comply with the requirements of the MSA.</p> <p>Notice of adoption of the IDP will be provided to the public within the prescribed time frame of 14 days.</p>	Complete	IDP/PMS MANAGER	The notice of adoption of 2016/2017 IDP has been published as per the requirements of Municipal Systems Act, 32 of 2000, on the 06/06/2016.	Complete The notice of adoption of 2016/2017 IDP was published on the 06/06/2016.

ACTION PLAN FOR AUDIT QUERIES 2015-2016

Finding	Action plan	Date Action to be Completed	Accountable Executive	Progress made to date	Comments Internal Audit
adequate implementation and oversight.					
<p>4. Inconsistencies between the planned targets and reported development objectives</p> <p>Inconsistencies between planned and reported targets:</p> <p>Out of the total of 23 targets, 15 of those targets are not consistent when compared between the SDBIP and the APR, resulting to 65% (15/23) error rate.</p> <p><u>AG RECOMMENDATION</u></p> <p>Management should identify all inconsistencies and misalignment between the SDBIP and APR and make all the necessary changes to the 2015/2016 Annual Performance Report to ensure targets reported on is consistent between planned, performed and reported information.</p>	During the 2016-2017 financial year, management will review the developmental objectives and targets of the IDP, SDBIP, and APR to ensure that there are aligned and consistent.	Complete	IDP/PMS MANAGER	<p>1. Draft Amended SDBIP 2016-2017 has been compiled.</p> <p>2. Draft Amended SDBIP 2016-2017 will be reviewed and finalised by departments by 31/01/2016.</p> <p>3. Draft Amended SDBIP 2016-2017 will be advertised and made public in February 2017.</p> <p>4. Final Amended SDBIP 2016-2017 will be submitted in March 2017 to Council for approval.</p>	Internal Audit confirmed the Amended SDBIP 2016-2017 was submitted and approved by council on the 30/03/2017.