

ACTION PLAN FOR AUDIT QUERIES 2015-2016

ANNEXURE "B"

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>Management has engaged with the Trafman Service Providers.</p> <p>Trafman is awaiting feedback from IT Section.</p>	

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up on exceptions noted through to resolution.					
<p>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 operations.</p> <p><u>AG RECOMMENDATION</u> Management should contact the service provider to determine options for implementing the additional password</p>	<p>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</p>	31/03/2017	EXECUTIVE DIRECTOR: COMMUNITY SERVICES	<p>Management has engaged with the Trafman Service Providers.</p> <p>Trafman is awaiting feedback from IT Section.</p>	

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configurations on Trafman. The configurations should reflect the following in line with leading practice: a)Invalid logon attempt limit – 3 b>Password history – 12 passwords c>Password expiry – 30 days					

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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 +/- 50% completed.</p>	

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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: 50% completed. Backup procedures to be included in BCP/DRP.	

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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>AG RECOMMENDATION 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	Hardware firewall installed and configured. Routing being implemented to link all Council users to Domain system for complete security and reporting.	

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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>				

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<p>1. Supply chain management policy not aligned to the supply chain management regulations.</p> <p>During the audit of the supply chain management policy, it was established that the supply chain 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</i></p>	<p>The Municipality will amend its supply chain management policy to ensure that the policy is aligned to the 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). 	30/04/2017	CFO	The SCM policy has been reviewed and will be amended with the Adjustments Budget process in March 2017.	

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include the abovementioned regulation in terms of the municipal supply chain regulations.					
<p>2. Suppliers in service of the state</p> <p>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>	

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<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><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>1. The municipality will endeavor to recover this amount in terms of Council's Credit Control and Debt Management Policy.</p>	<p>30/06/2017</p>	<p>CFO</p>	<p>1. The municipality has disclosed the above amount as Fruitless and Wasteful Expenditure in the Amended AFS 2015-2016.</p> <p>2. The Salary Section has submitted the relevant documentation to the Credit Control Section to recover the amounts owing.</p>	
<p>4. Incorrect classification of expenditure 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>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>	<p>31/03/2017</p>	<p>CFO</p>	<p>1. The Fixed Assets register and Annual Financial Statements have been amended and submitted to the AG in November 2016.</p> <p>2. Mid year financial</p>	

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<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 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>				statements are in progress.	
<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</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>	Monthly with effect from January 2017	CFO	<p>Monthly creditors register has been implemented and monitored to facilitate payment of invoices within 30 days of receipt.</p> <p>On a monthly basis non-compliance of staff is monitored.</p>	

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<p>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>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>AG RECOMMENDATION The amount should be disclosed as fruitless and wasteful expenditure and the municipality should take steps to recover the amount.</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 March 2017.</p>	

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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>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</p> <p>Management should review the valuation roll and asset register regularly to ensure that details captured are accurate.</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>	<p>Monthly with effect from January 2017</p>	<p>CFO</p>	<p>The municipality has appointed a consultant that is tasked to review the square metres, values and the updating of the valuation roll in order to address all the challenges.</p>	

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<p>8. Heritage asset not presented for verification</p> <p>Heritage asset (Lynch gate) could not be physically verified:</p> <p><u>AG RECOMMENDATION</u></p> <p>Management should perform thorough and regular physical verification of assets.</p> <p>Results of physical verifications should be reviewed and discrepancies should be followed up timeously</p>	<p>1. The Lynch gate was 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>31/03/2017</p> <p>Monthly with effect from January 2017</p>	CFO	MCM resolved that the client department draft an item to council requesting approval to remove it from the asset register.	

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<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><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</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 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>	<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.</p>	

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supported. 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.					
10. Contract register incomplete During the audit of the completeness of the contracts register, it was noted that some awarded bids did not appear in the contracts register. <u>AG RECOMMENDATION</u> Management must ensure that regular reconciliations are conducted between bids awarded and bids appearing in the contracts register. Management should ensure that an accurate and complete contracts register is maintained to support the commitments balance as	1. Management will ensure that monthly reconciliations are conducted between bids awarded and bids appearing in the contracts register. 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.	Monthly with effect from January 2017	CFO	In progress	

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disclosed in the annual financial statements. Management should revisit the total number of bids awarded and update the contracts register to reflect a complete contracts register.					
11. Incorrect standby pay amount reimbursed to employee An instance was noted where an employee was reimbursed	1. The Accountant Salary Office will ensure that standby records are reviewed prior to being paid out to employees.	Monthly with effect from January 2017	CFO	1. The municipality has recovered this amount from the employee in the November 2016 salary month.	

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<p>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>2. Monthly salary related reconciliations are conducted by the Accountant Salary Office.</p>	
<p>12. Municipal owned property allocated to an individual and found on the valuation roll</p>	<p>1. The supplementary Valuation roll will be imported into the MunSoft Financial</p>	<p>31 March 2017</p>	<p>CFO</p>	<p>1. The Valuation roll has been corrected from a tariff 16 to tariff</p>	

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<p>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></p> <p>Management should ensure that properties are captured correctly on their respective fixed assed register, valuation roll, deeds register or investment properties register.</p>	<p>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>Monthly with effect from January 2017</p>		<p>29 which is municipal vacant property and ownership has been changed.</p> <p>2. The supplementary valuation roll is still in progress.</p>	

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<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>	

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<p><u>AG QUERIES 2015/2016</u></p> <p>1. Performance indicators not well defined.</p> <p>During the audit of predetermined objectives, it was identified that the municipality did not develop well defined performance indicators to ensure that information is collected consistently.</p> <p>The following performance indicators, as extracted from the municipality's IDP/SDBIP/APR, were not well defined:</p> <p><u>AG RECOMMENDATION</u></p> <ul style="list-style-type: none"> The criteria for establishing whether performance indicators are well defined should be considered when developing a performance indicator. The performance 	<p>The Performance management section will during the amendment of the 2016/2017 SDBIP perform an assessment of all performance indicators, developed by the municipality, against the criteria to establish if these performance indicators are well defined.</p>	<p>31/03/2017</p>	<p>ACTING MANAGER IDP/PMS/IGR& RESEARCH</p>	<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 advertise 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>	