

AUDIT ACTION PLAN FOR 2013/2014 AUDIT ACTION PLAN

MANAGEMENT COMMENTS AND CORRECTIVE ACTION TO BE INSTITUTED ON THE MATTERS RAISED IN THE REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2014 IN TERMS OF SECTION 121(3) (G) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 OF 2003.

The Audit Report contains issues that were reported by the Auditor-General. Management comments and corrective actions are mentioned hereunder:

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
13-30	Targets not specific	Non-adherence to FMPPI of National Treasury	FMPPI to be included in OPMS Framework	31 May 2015	G van der Westhuizen IDP/PMS Manager	In Progress. OPMS Framework Review in progress.
			Targets for 2015/16 to be tested for compliance with SMART principles before the financial year commences	30 April 2015	S Sethibe Director: Internal Audit	Audited compliance with smart principle, and compliance with the Municipal Systems Act and 1 st Quarter report
Measurability of targets	Targets not measurable	Lack of understanding of how to design SMART Targets	Performance Management Training for Management	31 March 2015	M Bokgwathile Municipal Manager	To commence
Relevance of indicators	Indicators did not relate logically and	Proper performance planning and	OPMS Framework to be reviewed and to include	31 May 2015	G van der Westhuizen	In Progress. OPMS

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	directly to mandate and realization of strategic goals and objectives	management practices not developed and implemented to provide for the development of performance indicators and targets included in the IDP, SDBIP and annual performance report.	provision for proper performance planning and management practices.		IDP/PMS Manager	Framework Review in progress.
Reliability of reported performance information		Targets were based on the incorrect performance measure.	Targets to be based on correct performance measurement	31 May 2015	M Bokgwathile Municipal Manager	To commence
		Reports to Council not accurate as indicators were not met.	Information to be verified when submitted to Council	Quarterly and Annually	S Sethibe Director: Internal Audit	1 st Quarter reports were verified and internal audit reports were issued

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
Reliability of reported performance information		Supporting evidence did not agree to matters reported on in the annual performance report, rendering information irrelevant for decision making purposes	Supporting documentation to be verified	Quarterly and Annually	S Sethibe Director: Internal Audit	1 st Quarter reports were verified and internal audit reports were issued
Measurability of targets	Significantly important targets not reliable when compared to evidence provided	Lack of standard operating procedures for the accurate recording of actual achievements and technical indicator descriptions for the accurate measurement and no frequent reviews of the validity of reported achievements against source documentation	OPMS Framework to be reviewed and to include provision for proper performance planning and management practices.	31 May 2015	G van der Westhuizen IDP/PMS Manager	In Progress. OPMS Framework Review in progress.
			Evidence to be verified	Quarterly and Annually	S Sethibe Director: Internal Audit	1 st Quarter reports were verified and internal audit reports were issued

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
31	Supplementary information on pages xx of the annual performance report	-	Unless this includes the forward of the Executive Mayor, Municipal Managers overview, audit action plan and Audit Committee report, this is not applicable, as these will be the only things that will be included	31 January 2014	G van der Westhuizen IDP/PMS Manager	In progress
33. Strategic Planning and performance management	The Municipality did not afford the local community at least 21 days to comment on the final draft IDP, before submission to Council as required by Section 15(3) of the Municipal Planning and Performance Management Regulations	Non-compliance (SCM did not publish the notice submitted to them)	SCM to ensure that notices are published. CFO to indicate action to be taken against the official who caused this audit query to make sure that this is not repeated	March 2015	CFO : L. Molale	Will ensure that there is consequence management for non compliance.
42. Budgets	Supporting documentation was not submitted to confirm that Expenditure was not incurred in accordance with the approved budget, in contravention of section 15 of the Municipal Finance Management Act.	Contravention of section 15 of the Municipal Finance Management Act.	Monthly budget meetings will be held to ensure that expenditures are incurred in accordance with the approved budget.	Monthly	Mr Molale CFO	Monthly budget report to be compiled (actual expenditure versus the budget)

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
43. Annual Report and AFS	Sufficient appropriate evidence could not be obtained that the 2012/13 annual report was tabled in the municipal Council within seven months after the end of the financial year, as required by section 127(2) of the MFMA	Sufficient appropriate evidence could not be obtained	None. Council Resolution 6.3 of 25/10/2013 was submitted to the AG twice. Although the report was submitted in October 2013, it is still well within the 7 months. The final annual report (after audit) was submitted to Council on 27/02/2014.	N/A	N/A	N/A
44. Annual Report and AFS	Sufficient appropriate evidence could not be obtained that a written explanation was submitted to Council setting out the reasons for the delay in tabling the 2012-13 annual report in the Council, as required by section 127(3) and 133(1)a of the MFMA	No evidence written reasons submitted to Council for the delay in tabling the annual report	A written submission will be made to Council.	31 January 2015	G van der Westhuizen IDP/PMS Manager	The item will be submitted to the February 2015 Council meeting.
45. Annual Report and AFS	Sufficient appropriate evidence could not be obtained to confirm that the oversight report containing comments on the annual report was	No audit evidence submitted	Future oversight reports to be submitted to Council within two months after final annual report was tabled in Council	31 March 2015	N Kgwasi Legal and Compliance Manager	To commence

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	adopted by council within two months from the date on which the 2012/13 annual report was tabled , as required by Section 129(1) of the MFMA					
46. Annual Report and AFS	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 identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA	To ensure that AFS are prepared in accordance with the requirements of section 122 of the MFMA.	Quarterly and annual AFS	M. Molale CFO	Compilation for quarterly financial statements is in progress. The 1 st draft (mid year) will be issued before the end of January.

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	disclaimer audit opinion					
47. Procurement management	Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) & (c).	Noncompliance with SCM regulations	The SCM compliance clerk will ensure that all procurement processes are in line with the SCM policy	Daily as transactions take place	CFO : L. Molale	In progress
48. Procurement management	Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations	Noncompliance with SCM regulations	Treasury to be invited to clarify Regulation 8 (2)(b) of the Preferential procurement regulation of 2011. This will assist in the interpretation of this regulation.	January 2015	CFO : L. Molale	In progress
49. Procurement management	Contracts were awarded to bidders based on preference	Non-compliance with SCM regulations	Treasury to be invited to clarify Regulation 8 (2)(b) of the Preferential	January 2015	CFO : L. Molale	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.		procurement regulation of 2011. This will assist in the interpretation of this regulation.			
50. Procurement management	Contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1) (f) of Preferential Procurement Policy Framework Act.	Noncompliance with SCM regulations	Treasury to be invited to clarify Regulation 8 (2) (b) of the Preferential procurement regulation of 2011. This will assist in the interpretation of this regulation.	January 2015	CFO : L. Molale	In progress
51. Procurement management	Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation.	Noncompliance with SCM regulations	The SCM compliance clerk will ensure compliance in all transactions.	Daily as transactions take place	CFO : L. Molale	In progress
53. Expenditure Management	Reasonable steps were not taken to prevent unauthorized expenditure, irregular expenditure and	No consequences management	Unauthorized Expenditure Monthly departmental budget meetings to be held	Monthly	CFO : L. Molale	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.		to ensure budget monitoring.			
			Recommendations on over expenditure will be tabled at Council.	Quarterly	CFO : L. Molale	In progress
			<i>Irregular</i> The SCM compliance clerk will ensure that all procurement processes are in line with the SCM policy.	Daily as transactions take place	CFO : L. Molale	In progress
			<i>Fruitless expenditure</i> Punitive measures would be enforced to ensure that all officials avoid such expenditures	Monthly	Senior Management	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
54.Revenue management	An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2) (e) Municipal Finance Management Act.	Noncompliance with section 64(2) (f) of the Municipal Finance Management Act.	Revenue Register will be updated and monitored on a regular basis by the Manager Budget and reporting	Monthly	Manager Budget and Reporting Ms. K Thaganyane	Grant register is in place
55. Revenue management	An effective system of internal control for debtors was not in place, as required by section 64(2) (f) of the Municipal Finance Management Act.	Noncompliance with section 64(2) (f) of the Municipal Finance Management Act.	Interest is being charged and a monthly age analysis will be compiled and reconciled	Quarterly	CFO : L. Molale	In progress
56. Asset management	An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2) (a) of the Municipal Finance Management Act. Ineffective system of internal controls		Monthly asset verification will be done and reports produced.	Monthly verification report	CFO : L. Molale	The review of the Asset management policy is currently taking place

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
			Utilization of the assets management module has been activated on the financial system.	31 ^s t January 2015	CFO : L. Molale	In progress
			Asset management champions to meet	Monthly meetings	CFO : L. Molale	In progress
57. Asset management	An effective system of internal control for assets was not in place, as required by section 96(2) (b) of the Municipal Finance Management Act	Ineffective system of internal controls	Monthly asset verification will be done and reports produced. Asset management champions.	31 st January 2015	CFO : L. Molale	The review of the Asset management policy is currently taking place
			CFO : L. Molale	Monthly implementation reports	CFO : L. Molale	

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
<p>58. Conditional grants The municipality did not evaluate its performance in respect of programmes or functions funded by the Municipal Systems Improvement Grant allocation, as required by section 12(5) of the Division of Revenue Act.</p> <p>Municipality did not evaluate its performance in respect with programmes or functions funded by the grant</p>			Submission of updated grants register to the AO.	Monthly	CFO : L. Molale	Internal Audit unit did examine all conditional grants and no noncompliance was discovered
			Monitoring of grant expenditure by the relevant departments	Monthly	Relevant HoDs	Monthly budget report to be compiled (actual expenditure versus the budget)
<p>59. Conditional grants The municipality did not evaluate its performance in respect of programmes or functions funded by the Local Government Financial Management Grant allocation, as required by section 12(5) of the Division of Revenue Act.</p> <p>Municipality did not evaluate its performance in respect with programmes or functions funded by the grant</p>			Submission of updated grants register to the AO.	Monthly	CFO : L. Molale	Submissions are being made on a monthly basis
			Monitoring of grant expenditure BTO	Monthly	CFO : L. Molale	

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
65. Oversight responsibility	The entity did not have sufficient monitoring controls to ensure the proper implementation of the overall process of financial reporting.	Inadequate financial reporting	Audit Committee	Quarterly reporting to Council	CFO : L. Molale	It was reported on the Council of the 21 st November 2014
66. Human resource management	The municipality did not properly plan and provide training on planning, managing and reporting of financial information.	Limited knowledge on reporting of financial information	Training will be arranged for identified BTO officials and trained on planning, managing and reporting of financial information.	28 February 2015	CFO: L. Molale & Director CS: M. Eilerd	In progress
67. Human resource management	The municipality personnel do not have the required knowledge of GRAP, as consultants are used to compile the Annual Financial Statements.	GRAP knowledge in AFS compilation	Training will be provided in consultation with IMFO and Treasury	28 February 2015	CFO : L. Molale	In progress
68. Human resource management	The municipality did not hold performance management and reporting staff accountable for shortcomings identified during the internal and external audit processes.	Lack of skilled PMS officer	Performance management files compiled and maintained for each employee. Quarterly reporting on performance PMS officer has been appointed	Ongoing	Director Cooperate Services Mr. Eilerd and Mr. Gerrie Van der Westhuizen, Manager IDP	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
69. Policies and procedures	The municipality does not have an overtime policy in place.	Overtime is paid without a policy	Overtime Policy shall be drafted and brought before Council for approval	28 th February 2015	Mr. Eilerd and N. Kgwasi – Legal and compliance	Drafting of the policy in progress
70. Policies and procedures	Supply chain management policies and procedures are not adequate to prevent and detect irregular expenditure.	Non-compliance	Review of the SCM policy	March 2015	CFO: L. Molale	In progress
71. Action plans to address internal control deficiencies	Management developed audit action plans (AAP) but do not implement them adequately to ensure the prior year issues are not repeated.	Inadequate monitoring of the implementation of the AAP	Appointing a committee that will ensure the implementation and monitoring of the audit action plan	Monthly	Legal & Compliance Manager: N. Kgwasi\	Operation Clean Audit Committee sits on a monthly basis
73. Information technology governance framework	The assessment results for phase 1 indicated that not all the phase 1 requirements have been met by the municipality, the assessment does not include the test of implementation.					Refer to annexure A

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
74. Information technology governance framework	Furthermore, a formalized service performance monitoring process was not in place to ensure that all services rendered by service providers were performed in line with stipulated terms of agreement in the SLAs.					Refer to annexure A
77. Daily and monthly processing and reconciling of transactions	Management did not implement the following daily and monthly controls designed for the entity's business processes.	No reconciliation was performed between the employee files and leave register	Weekly reconciliation will be performed to ensure synergy between the Employees Files and the Leave Register	Weekly	Mr M. Eilerd: Director Corporate Service	In progress
		The grant register is not reconciled to the general ledger	Monthly reconciliations will be performed to ensure that the register reconciles to the ledger	Monthly	CFO : L. Molale	In progress
78. Regular, accurate and complete financial and performance reports	As indicated in part A of section 2, the financial statements contained numerous misstatements that were corrected.	This was mainly due to staff members not fully understanding the requirements of the financial reporting framework.	Training will be provided in consultation with IMFO and Treasury	28th Feb 2015	CFO : L. Molale	Compilation for quarterly financial statements is in progress. The 1 st draft (mid year) will be

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
						issued before the end of January.
79. Compliance monitoring	Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.	No proper review and monitoring of compliance with legislation	Compliance with legislation shall be properly monitored and reviewed – systems shall be put in place.	February 2015	N. Kgwasi – Legal and compliance	Monitoring and reviewing done on a monthly basis
80. Compliance monitoring	Management did not implement actions to be taken against officials that do not adhere to the prescribed laws, rules and regulations	Non-compliance	Compliance will be monitored and action will be taken against officials who are not complying with laws, rules and regulations	Monthly	Legal & Compliance: Ms. Kgwasi (reporting on non-compliance), Senior Management: (ensure that action is taken against officials)	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
81. Information technology systems	The weaknesses surrounding security management, user account management, program change management and IT service continuity were due to the following:	Inappropriately skilled IT resource, to design and implementation appropriate controls, which was further compounded by budgetary constraints.				Refer to annexure A
		Lack of management commitment to develop and monitor action plans to address internal control deficiencies.				Refer to annexure A
82. GOVERNANCE	Risk management activities and risk strategy	The municipality conducted a risk assessment, as required by the MFMA. Consequently, the control deficiencies were identified relating to compliance with laws and regulations but were not included in the risk register.	Risks relating to compliance with laws and regulations will be included in the risk register	3rd quarter of 2014/15 FY	MM: M. Bokgwathile	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
86. Leadership	Management did not continuously exercise oversight responsibility regarding financial reporting and related internal controls	Lack of direction and review of the development and performance of the system of internal control.	Review of the development of the system of internal control	31 st January 2014	CFO: L. Molale and entire Management	In progress
87. Leadership	Management did not exercise oversight responsibility regarding assets by ensuring that there are adequate internal controls relating to physical existence of assets.	Inadequate internal controls relating to physical existence of assets.	Monthly assets verification signed off	Monthly	CFO: L. Molale and entire management	In progress
	The management did not ensure that the asset register is updated regularly during the financial year and is complete at financial year end.	Incomplete asset register.	Assets Management team to make sure that all assets in different departments are verified on a monthly basis.	Monthly	CFO: L. Molale	In progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
		There were no consequences for the lack to safe-guard the assets.	Disciplinary actions to be taken against officials removing assets from its location without following the correct procedures. Appointment of the asset management champions	As it occurs	Senior Management	In progress
88. Leadership	Management did not review the financial Statements as the material errors were identified.	Material errors identified	To ensure that AFS are prepared in accordance with the requirements of section 122 of the MFMA.	Quarterly and annual AFS	M. Molale CFO	Compilation for quarterly financial statements is in progress. The 1 st draft (mid year) will be issued before the end of January.
89. Leadership	Management did not review compliance with laws and regulations.	Non-compliance with legislation	Identification and reporting on of non-compliance	Monthly	Legal & Compliance Manager: N. Kgwasi	Monitoring and reviewing done on a monthly basis
	Actions were not taken against officials that do not adhere to the prescribed laws, rules and regulations.	Non-compliance with legislation	Actions taken against officials not adhering to legislation	As it is reported	Senior Managers	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
90. Financial and performance management	Management did not prepare accurate and complete financial reports that were supported and evidenced by reliable information.	The information systems did not produce information that was timely, current, accurate, complete, accessible, protected and verifiable, and retained.	CFO to make sure that the information system produces timely, accurate, accessible, protected, verifiable and retainable information	Monthly	CFO : L. Molale	In progress
		Information was also not reviewed to assess its relevance in supporting the internal control components.	The CFO to make sure that the information he receives from his subordinates are reviewed	Monthly	CFO : L. Molale	In progress
91. Financial and performance management	Finance staff do not have knowledge of GRAP and do not take initiative by utilizing the GRAP checklist provided by National Treasury, to ensure the financial statements are free from error	AFS with errors	Training will be provided in consultation with IMFO and Treasury to ensure that staff members are equipped with necessary knowledge and capacity	28 th February 2015	CFO : L. Molale DCS – Mr. M. Eilerd	In progress
92. Financial and performance management	Management did not ensure the underlying records support the amounts disclosed on the Annual Financial Management did not affect proper record keeping ensuring that complete, relevant and	Responsible personnel did not continuously perform control activities in a timely manner as defined by policies and procedures due to a lack of consequences.	A complete Audit file will be compiled and the reconciliation be done between the AFS and the Audit file and the General ledger.	Quarterly	CFO : L. Molale	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	accurate information was accessible and available to support financial reporting.					
93. Financial and performance management	Management did not ensure the underlying records support the amounts disclosed on the Annual Financial Statements and performance information.	Inadequate records to support the amounts disclosed on the Annual Financial Statements	A complete Audit file will be compiled and the reconciliation be done between the AFS and the Audit file and the General ledger	Quarterly	CFO : L. Molale	In progress
		Inadequate records to support the information disclosed on the Performance information	Performance information to be supported by relevant POEs	Monthly	Senior Management	In progress
94. Governance	On-going monitoring and supervision were not undertaken to enable an assessment of the effectiveness of internal control over financial and performance reporting					Refer to annexure A

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	regarding IT controls.					
97. Assurance levels should be improved	Senior Management: is not proactive, and participate in audit steering meetings	Non-attendance of Audit Steering committee meetings	Senior Management to prioritize attendance of all Steering Committee meetings during audit	1 st September to 30th Nov 2014	Senior Management	Achieved
		No formal processes were in place to monitor compliance with applicable laws and regulations	Monthly compliance reports to be a standing item on Senior Management meeting agenda	Monthly	Senior Management	Achieved
		Control activities affecting proper record keeping and information was not reviewed to ensure accurate and complete financial reports	The registry clerk will ensure that proper movement of documents is monitored and safeguarded	Daily	CFO: L Molale	Achieved
	Mayor does not provide assurance as she is not actively involved in the audit process.	Non-attendance of Audit Steering committee meetings	Executive Mayor to prioritize attendance of all Steering Committee meetings during audit	1 st September to 30th Nov 2014	Executive Mayor	Achieved

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
101. Irregular expenditure	Irregular expenditure of R 39 513 (100%) incurred in the current financial year was as a result of the contravention of SCM legislation.	The root cause of the lack of effective prevention and detection	The SCM compliance clerk to verify that all procurement processes are in line with the SCM policy MPAC will investigate and report to Council	Daily as transactions take place	CFO: L Molale	In progress
102. Irregular expenditure	The municipality did not ensure that contracts are in place and that both parties sign the contract.	No SLAs in place	No service provider will commence with the project if the SLA is not in place	As service providers get appointed	CFO: L Molale & Legal and Compliance Manager, N. Kgwasi	In progress
103. Irregular expenditure	Management did not adequately review and monitor of adherence to laws and regulations Pertaining to SCM.	Non-compliance	The SCM compliance clerk will ensure that all procurement processes are in line with the SCM policy	Ongoing	CFO: L Molale	In progress
107. Procurement process	Close family members of an official have an interest in awards made to the value of R133 875.20	Non-compliance	Declaration of interest by all employees and Councillors of JTGDM	Ongoing	CFO: L Molale	In progress
108. Procurement process	Hundred percent (100%) of the awards to close family members, amounting to R133 875.20, were not disclosed in the	Non- disclosure	Declaration of interest by all employees and Councillors of JTGDM	Ongoing	CFO: L Molale	In progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	financial statement					
109. Procurement processes	Procurement process – Quotations Two (2) awards to the total value of R22 952.81 were procured without inviting at least three written price quotations from prospective suppliers and the deviation was not approved by a properly delegated official.	The following findings on procurement processes result from the testing of 14 contracts with a total value of R59 118 617.52 and 13 of price quotations with a total value of R9 732 132.48.	The SCM compliance clerk will ensure that all procurement processes are in line with the SCM policy	Daily as transaction takes place	CFO: L Molale	In progress
		Procurement process - Competitive bidding The preference point system was not applied in the procurement of two (2) competitive bids to the total value of R 3 250 117.20.	The SCM compliance clerk will ensure that all procurement processes are in line with the SCM policy	Ongoing	CFO: L Molale	In progress
		Two (2) quotations to the total value of R121 295 were procured from suppliers who did not have tax clearance from SARS confirming that	The SCM compliance clerk will ensure that all procurement processes are in line with the SCM policy	Ongoing	CFO: L Molale	In progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
		their tax matters are in order.				
113. Financial indicators	The financial statements amounts are subject to limitation misstatements that resulted in the modification of the audit opinion, the figures as depicted above can therefore not be relied on.	Limitation misstatements	A complete Audit file will compiled and the reconciliation be done between the AFS and the Audit file and the General ledger	Monthly	CFO:L. Molale	In progress
114. Financial indicators	The debt collection period is negatively impacting on the municipality's capacity. Debt mostly relate to other organs of the state for which the municipality have incurred expenditure that needs to be recovered.	Poor debt management	Debtors management report will be a standing item to Senior Management meetings and Council in order to ensure that we comply with our Creditors Control policy	Monthly (Senior Management), At every ordinary Council meeting	CFO: L. Molale	In progress
115. Financial indicators	The creditor's payment period is negatively impacting on the municipality's ability to pay its creditors within 30 days.	Creditor-payment period is 67.9 days	BTO to make sure that all invoices are stamped with a date stamp to make sure that creditors are paid within 30 days.	Monthly	CFO: L Molale	In progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>	
			SCM Clerks will on a monthly basis report on all outstanding orders to make follow ups,	Monthly	CFO: L Molale	In progress	
116. Financial indicators	A larger percentage of conditional grants were underspent. This has negative impact on the municipality's ability to deliver on its mandate.	Percentage under-spending of conditional grants received for the year is 72.8%	Submission of updated grants register to the AO.	Monthly	CFO: L Molale	In progress	
			Monitoring of grant expenditure by the relevant departments	Monthly	Relevant HoDs	In progress	
119. Use of consultants Preparation of financial statements	Consultant did not deliver in accordance with the contract.	The municipality did not effectively manage the consultants.	Weekly meeting will be held with consultants to ensure that they deliver in accordance with the terms of reference	Weekly	CFO: L Molale and the AO.	In progress	
			Management did not review the work of the consultant.	Weekly meeting will be held with consultants to ensure that they deliver in accordance with the terms of reference	Weekly	CFO: L Molale	In progress
			Consultant did not provide the municipality journals and supporting documentation	A complete Audit file will compiled and the reconciliation be done between the AFS and the Audit file and the General ledger	Monthly	CFO: L Molale	In progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
Review of Annual Financial Statements	Consultant did not deliver in accordance with the contract	Management did not review the work of the consultant	Weekly meeting will be held with consultants to ensure that they deliver in accordance with the terms of reference	Weekly	CFO: L Molale	In progress
Planning and appointment processes	Consultants were appointed without a proper needs assessment being performed.		Needs analysis will be performed before consultants are appointed	As appointments are made	CFO: L Molale	In progress
	Consultants were appointed without any terms of reference.		Terms of reference will always accompany the SLA of any consultant	As appointments are made	CFO: L Molale	In progress
Internal capacity	Consultants were appointed even though the skills necessary to perform the project, duty were available within the municipality	Lack of training of BTO officials	In-house capacity will be enhanced by offering relevant training to the officials to ensure that the municipality does not utilize consultants in the future (Areas where there is adequate capacity consultants will not be utilized)	As appointments are made	CFO: L Molale	In progress
Performance management & monitoring	Consultancy services were provided and payment made to the consultants without a signed contract to regulate the work of the consultant	No signed contract with service providers	No service provider will resume work until an SLA is signed	As appointments are made	CFO: L Molale	In progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	The service was provided through a joint venture by the consultants, while the joint venture contract was not signed by all the parties.	No joint venture contract was signed for a service provided through a joint venture	All joint ventures must have a joint venture contract	As appointments are made	CFO: L Molale	To be confirmed with the AG for clarification
		Conditions or clauses for transfer of skills were not included in the contract.	Terms of reference will always accompany the SLA of any consultant and the issue of skills transfer will explicitly be outlined	As appointments are made	CFO: L. Molale	To be confirmed with the AG for clarification
		There is no evidence that skills transfer or training programmes took place.	Weekly meeting will be held with consultants to ensure that they deliver in accordance with the terms of reference	Weekly	CFO: L. Molale	To be confirmed with the AG for clarification
		Employees to be trained were not identified.	Staff members will be identified to work with consultants on a daily basis as part of skills transfers and progress reports will be issued	Weekly	CFO: L. Molale	To be confirmed with the AG for clarification
Internal control deficiencies	Weaknesses in internal controls	Journals must be reviewed by management prior to the processing thereof on the system	Journals must be reviewed by management prior to the processing thereof on the system.	Weekly	CFO: L. Molale	In progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
		Management should ensure that all journals have sufficient appropriate audit evidence attached to the journals to ensure that an audit trial is available.	All journals passed must have sufficient appropriate audit evidence attached to ensure that an audit trial is available.	Weekly	CFO: L. Molale	In progress
		Financial system not interfaced to the Caseware system	Management should interface their financial system to the Caseware system the consultants use to draw up the Annual Financial.	31 st January 2015	CFO: L. Molale	In progress
		Internal Audit and Management did not review work done by the consultants	Management and Internal audit should review the work performed by the consultants to ensure that quality Financial Statements are submitted	Monthly	CFO: L. Molale and Director IA: S. Sethibe	In progress
		General ledger did not agree to the trial balance to the Annual Financial Statements.	Management must agree the general ledger to the trial balance to the Annual Financial Statements. To ensure that the financial statements are supported by underlying records	Quarterly	CFO: L. Molale	In progress
124. Fraud	Due to the inherent limitations of an audit, there is a risk that some material	The municipality may conduct business with related parties which won't be at arm's length	All employees and Cllrs to complete disclosure of interest forms	31 st January 2015	Senior Management	In progress to ensure that all

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
	misstatements, including fraud, may not be detected					employees and councilors complete a disclosure of interest form
125. Related Parties	Senior management and Councillors did not declare their interest in other companies and entities..	The municipality may conduct business with related parties which won't be at arm's length	All employees and Cllrs to complete disclosure of interest forms	31 st January 2015	Senior Management	In progress to ensure that all employees and councilors complete a disclosure of interest form
Human Resource Management	Human resource planning and organization	Job descriptions did not exist for each post or group of posts.	Management to continue ensuring compilation of Job Descriptions for all the posts in the institution and ensure that when new posts are created job descriptions for such posts are in place before they are filled.	28 February 2015	Senior Management led by Director Corporate Services Mr M. Eilerd:	In progress
	Management of vacancies	The overall vacancy rate increased from in the previous year.	Management to implement the Retention Policy to discourage high labour	On going	MM & Mr M. Eilerd: Director- Corporate Services	In-progress

<u>Paragraph (Auditor-General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementation Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
			turn over as well as the Recruitment and Selection Policy to curb prolonged vacancy rate if vacancies do occur.			
		Positions in the finance department were vacant for more than 12 months.	Management to implement the Recruitment and Selection Policy to curb prolonged vacancy rate if vacancies do occur.	On-going	MM & Mr M. Eilerd: Director- Corporate Services	Achieved
		Positions in the internal audit department were vacant for more than 12 months.	Management to implement the Recruitment and Selection Policy to curb prolonged vacancy rate if vacancies do occur.	On-going	MM & Mr M. Eilerd: Director- Corporate Services	Achieved
		Vacant positions in the finance department were not advertised within six months.	Management to implement the Recruitment and Selection Policy to curb prolonged vacancy rate if vacancies do occur.	On-going	MM & Mr M. Eilerd: Director- Corporate Services	Achieved
		Vacant positions in the internal audit department were not advertised within six months.	Management to implement the Recruitment and Selection Policy to curb prolonged vacancy rate if vacancies do occur	On-going	MM & Mr M. Eilerd: Director- Corporate Services	Achieved
	Appointment processes	New appointees did not have the required qualifications and	Management to strictly observe and implement the Recruitment and Selection	On-going	MM & Mr M. Eilerd: Director- Corporate Services	In progress

<u>Paragraph (Auditor- General's Report)</u>	<u>Audit Finding</u>	<u>Reason for the finding</u>	<u>Management Corrective Action</u>	<u>Implementati on Date</u>	<u>Responsible Person and Designation</u>	<u>Progress report</u>
		experience for the position.	Policy to ensure that only suitably qualified personnel are recruited into the Organization.			

Signed by:

.....
M.P Bokgwathile
Municipal Manager

.....
DATE