

AMAJUBA DISTRICT MUNICIPALITY

POST AUDIT ACTION PLAN - 2017/2018

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
1.3 Water inventory incorrectly valued							
<p>Costs not incurred in bringing the inventories to their present location and condition (e.g tanker costs were included in the cost of inventory (e.g tanker costs amounting to R16 729 451). Furthermore, supporting documentation could not be provided to substantiate the validity of the capitalisation of these costs to inventory. Furthermore, no basis for inclusion of the costs was provided for audit.</p>	<p>Water inventory is not valued in accordance with the Standard of Generally Recognised Accounting Practice for inventories (GRAP12)</p> <ul style="list-style-type: none"> Management did not account for the water inventory cumulative by taking into account the rand value of the closing water inventory of the prior, account for the current year movements to arrive at the year end closing inventory value. 	<p>Water inventory is recorded in accordance with GRAP 12. Management should refer to GRAP 12 requirements as stated in paragraphs 20 to 22 and 25.</p> <p>Water inventory balances should be reported cumulative in the financial statements, by taking into the opening water inventory of R7 607 785, account for movements to arrive at closing water inventory of R839 149.</p>	<p>Management agrees with the audit finding.</p>	<p>Water tanker costs to be excluded from the from the cost of inventory.</p>	<p>Immediately</p>	<p>BTO</p>	
<p>Personnel Costs amounting to 19 874 680: no information is available or has been submitted to ascertain whether these costs relate only to employees involved in the inventory conversion and purification process.</p>				<p>Maintain a record actual hours worked for personnel in Water Treatment Works, Waste Water Treatment Works and Distribution Networks and provide information regarding time spent by management in the management and administration of work relating to the Water Treatment Works.</p>	<p>01-Feb-19</p>	<p>Engineering Services</p>	
				<p>Calculate personnel costs relating only to employees and management involved in the inventory conversion and purification process.</p>	<p>28-Feb-19</p>	<p>BTO</p>	
				<p>Provide records of actual hours worked for personnel in Water Treatment Works, Waste Water Treatment Works and Distribution Networks and information regarding time spent by management in the management and administration of work relating to the Water Treatment Works before 1 February 2019.</p>	<p>31-Mar-19</p>	<p>Engineering Services</p>	
				<p>Calculate personnel costs relating only to employees involved in the inventory conversion and purification process.</p>	<p>31-Mar-19</p>	<p>BTO</p>	

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General Costs amounting to 8 246 903,96: no information is available or has been submitted to ascertain whether these costs relate only to costs for bring the inventory to its present location and condition				Provide quantities of inventory/stock on hand as at 30 June 2018 relating to items that were expensed to general expenses together with traceable and credible supporting documentation that can be verified during an audit. These items will include cleaning materials, fuel and oils, tools and equipment, protective clothing, bulk water purchases (purified and raw), chemicals, spares, etc. The quantities of inventory/stock on hand as at 30 June 2018 to be separated between Water Treatment Works, Waste Water Treatment Works and Distribution Networks .	31-Mar-19	Engineering Services	
Maintenance Costs 5 963 773,83: no information is available or has been submitted to ascertain whether these costs relate only to costs for bring the inventory to its present location and condition				Provide quantities of inventory/stock on hand as at 30 June 2018 relating to items that were expensed to maintenance expenses together with traceable and credible supporting documentation that can be verified during an audit. The quantities of inventory/stock on hand as at 30 June 2018 to be separated between Water Treatment Works, Waste Water Treatment Works and Distribution Networks .	31-Mar-19	Engineering Services	
Operational Expenses – Depreciation: no information has been submitted for audit to confirm how these relate to assets in the inventory conversion or purification process				Separate depreciation cost between Water Treatment Works, Waste Water Treatment Works and Distribution Networks.	31-Mar-19	BTO	
Operational Expenses - Finance Costs: these do not qualify for capitalisation to inventory as inventory is not a qualifying asset as defined in GRAP 5 paragraph 6				Operational Expenses - Finance Costs to be excluded from the from the cost of inventory.	Immediately	BTO	
Contribution to funds amounting to R11 698 192: no information is available or has been submitted to ascertain whether these costs relate only to employees involved in the inventory conversion and purification process				Separate contributions (bad debt provision) between Water Treatment Works, Waste Water Treatment Works.	Immediately	BTO	

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The municipality did not determine the mix of purified vs purchased water				Separate water balances into isolated schemes that will determine water purchased and water produced. The process involved is based on the separation the sources of supply and THE PHYSICAL VERIFICATION OF BOTH PURIFIED (WATER PRODUCED) AND PURCHASED WATER.	31-Mar-19	Engineering Services	
The municipality did not keep adequate records so as to enable auditing of the value of purified water on hand at year end by determining production costs per unit which is to be applied to the volume of purified water at year end.				Refer to the above remedial actions relating to the separation of costs incurred (personnel, maintenance, general, depreciation, contributions) in bringing the inventories to their present location and condition.	Refer above	BTO	
Tanker and septic tank costs have been included in the calculation for production cost per unit whereas these are not production costs				Water tanker costs to be excluded from the from the cost of inventory.	Immediately	BTO	
Raw water purchased from uThukela Water is not included in the calculation of inventory and the balance disclosed in the annual financial statements.				Raw water purchased from uThukela Water will be included in the calculation of inventory and the balance disclosed in the annual financial statements .	30-Jun-19	BTO	
The calculation of the weighted average cost per unit excluded the value of opening stock.				The calculation of the weighted average cost per unit will include excluded the opening stock.	Immediately	BTO	
There is no normal capacity fixed overhead absorption rate applied in the costing of inventory.				Engage PT regarding support for an inventory costing systems	11-Mar-19	OMM	
Management could not provide us with supporting records for auditing water losses and non-revenue water amounting to 4 731 124 and 1 543 384 kilolitres, therefore the completeness and accuracy of the closing kilolitres amounting to 111 934 could not be confirmed.				The Water balance system to determine, calculate and report on the WATER BALANCE will be reported on monthly basis in 1 month arrears meaning that the January Water Balance report will be submitted in February.	31-Mar-19	Engineering Services	
The entire cost for specific items relating to department 10 was capitalised in the inventory.				The Water Stock certificate will be issued once annually and submitted to BTO.	30-Jun-19	Engineering Services	
				Refer to the above remedial actions relating to the separation of costs incurred (personnel, maintenance, general, depreciation, contributions) in bringing the inventories to their present location and condition.	Refer above	BTO	

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The water losses calculation did not take into account the value and kilolitres of water that was included in the opening balance.				The water losses calculation will take into account the value and kilolitres of water included in the opening balance as per MFMA circular 71.	31-Mar-19	BTO	
2. Assets could not be physically verified for existence							
Water networks	Management could not fully use the work of the management expert in compiling the financial statements.	Management should identify all missing assets and perform necessary investigations on the assets not found.	Management agrees with finding	With cooperation from Engineering department and GIS Unit identifying all the assets not found so that they can be bar coded and be GIS coordinated.	28-Feb-19	BTO	
Waste water networks				With cooperation from Engineering department and GIS Unit identifying all the assets not found so that they can be bar coded and be GIS coordinated.	28-Feb-19	BTO	
Park facilities				With cooperation from Engineering department and GIS Unit identifying all the assets not found so that they can be bar coded and be GIS coordinated.	28-Feb-19	BTO	
3. Post-retirement medical aid provision – limitation on scope to confirm the obligation							
The employee related costs as shown in note 24 to the financial statements, included a provision of post-retirement medical aid benefit amounting to R10 924 531 (R2016/17: R0). There is no disclosure of how the provision arises.	Provision for employee retirement benefits was raised without an taking into account the obligating event.	The total liability has increased by 911% (or R 10.925 million) since the last valuation. A numerical analysis of the unexpected movement (actuarial gain/loss) is provided in the next section. The main reasons for the actual movement in the liability are listed next.	Management agrees with finding	Provision made on post-retirement medical aid benefit for unqualifying retired employees to be reversed.	30-Jun-19	BTO	
				Enquires to be made with SALGA regarding post medical aid benefits currently being provided to retired employees and submit report to Council.	31-Mar-19	Corporate Services	
The employee related costs as shown in note 24 to the financial statements, included a provision of post-retirement medical aid benefit amounting to R10 924 531 (R2016/17: R0). There is no disclosure of how the provision arises.	Provision for employee retirement benefits was raised without an taking into account the obligating event.	The total liability has increased by 911% (or R 10.925 million) since the last valuation. A numerical analysis of the unexpected movement (actuarial gain/loss) is provided in the next section. The main reasons for the actual movement in the liability are listed next.	Management agrees with finding	Provision made on post-retirement medical aid benefit for unqualifying retired employees to be reversed.	30-Jun-19	BTO	
				Enquires to be made with SALGA regarding post medical aid benefits currently being provided to retired employees and submit report to Council.	31-Mar-19	Corporate Services	

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4. Consumer debtors – Impairment not in terms of GRAP 104							
<p>The financial statements contained debt impairment amounting R43 475 185 which is 100% impairment against the consumer debtors owing more than 150 days. However, management did not follow GRAP 104, Financial Instruments, in respect of the impairment for consumer debtors. Management did not take into account the credit risk associated with the consumer debtors in writing in full the consumer debtors owing more than 150 days. As a result, we were unable to confirm the valuation of the consumer debtors amounting to R17 779 954 (R16 450 635 for 16/17) as shown in note 10 to the financial statements.</p>	<p>The provision for impairment of consumer debtors is not calculated in accordance with the Standard of GRAP 104 (Financial instruments) Management created an allowance for bad debts by taking a fixed percentage of the gross consumer debtors balance for household consumers instead of taking into account the credit risk associated with consumer debtors in making a provision for impairment.</p>	<ul style="list-style-type: none"> The provision for impairment of consumer debtors should be calculated in accordance with the Standard of GRAP 104 (Financial instruments) Management should take into the credit risk associated with consumer debtors in making the provision for impairment applying a fixed percentage of the gross debtors. 	<p>Management agrees with finding</p>	<p>Align Debt Impairment Policy to GRAP 104, Financial Instruments.</p>	<p>28-Feb-19</p>	<p>BTO</p>	
5. Accuracy of the estimates on revenue from service charges							
<p>There were differences between revenue per the meter reading reports and Sebata billing reports which resulted in an understatement of billing for the service charges revenue. We calculated differences between the revenue per the meter reading reports and Sebata billing reports on a monthly basis for twelve (12) months. We arrived at a projected revenue understatement of R105 393 012.</p>	<p>Management did not ensure that there is sufficient and appropriate controls are in place to ensure the correctness of revenue from service charges.</p>	<p>Management should prepare and review a monthly reconciliation of the kiloliters of water billed vs. purified water and ensure that any variances above the expected norm are followed up and billed if necessary.</p>	<p>Management agrees with the finding.</p>	<p>Prepare on a monthly basis a report of authorised water consumption on all categories of authorised consumption applicable to Amajuba DM.</p>	<p>31-Mar-19</p>	<p>BTO</p>	
	<p>Water meters were not read and captured on a billing system on a monthly basis and monthly reconciliation of the kiloliters of water billed vs. purified water was not prepared.</p>			<p>Prepare on a monthly basis a reconciliation of the kiloliters of water billed vs purified water and water purchased.</p>	<p>31-Mar-19</p>	<p>Engineering Services</p>	
	<p>The leadership did not monitor that an action plan to fix the faulty meters is implemented timely during the financial year.</p>			<p>Replacement of all defective water meters as provided by the Revenue Unit on a regular basis.</p>	<p>31-Jan-19</p>	<p>Engineering Services</p>	
				<p>Rand Water to provide students to perform meter audit.</p>	<p>31-Mar-19</p>	<p>Engineering Services</p>	
				<p>Prepare a detailed spreadsheet on the findings to be compiled with details of what ADM did not agree with .</p>	<p>15-Mar-19</p>	<p>BTO</p>	

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6. Completeness of revenue from service charges							
For the below consumer accounts for revenue for service charges we could not find some of the meter reading reports, some that we found were not realistic due to faulty meters.	Management did not ensure that there is sufficient and appropriate controls are in place to ensure the correctness of revenue from service charges		Management agrees with finding	1. Farms on LM's valuation rolls but not on the billing system - Regularize rudimentary supply of farms not on the billing system but on the LM's valuation rolls.	31-Mar-19	BTO	
				2. Vacant spaces - AG to physically verify.	31-Mar-19	BTO	
				3. Meter closed - Glen to advise on remedial action.	Glen to propose time frame	BTO	
				4. Regularize rudimentary supply of farms not on the billing system but on the LM's valuation rolls.	31-Mar-19	BTO	
				5. Meter switch - Glen to advise on remedial action	Glen to propose time frame	BTO	
				6. Assets on the meter replacement list - Replacement of all defective water meters as provided by the Revenue Unit on a regular basis	31-Jan-19	BTO	
				7. Remaining costumers - Glen to advise on remedial action.	Glen to propose time frame	BTO	
The leadership did not monitor that an action plan to fix the faulty meters is implemented timely during the financial year.	Leadership should monitor the implementation of the action plan to address the faulty meters timely.		Management agrees with finding	Replacement of all defective water meters as provided by the Revenue Unit on a regular basis	31-Jan-19	Engineering Services	
				Rand Water to provide students to perform meter audit.	31-Mar-19	Engineering Services	
				Prepare a detailed spreadsheet on the findings to be compiled with details of what ADM did not agree with.	15-Mar-19	BTO	

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
Farms that are not on the billing system				Regularize rudimentary supply of farms not on the billing system but on the LM's valuation rolls.	31-Mar-19	Engineering Services	
7. Water losses: Incorrect calculation of the rate used to value water losses							
The total water losses in rand value was calculated using the average costs of R10.93. The average costs included certain costs that do not qualify as costs directly involved in the conversion process to purify raw water. These costs are not involved in the determination of the costs of water inventory, for example interest on loan and water tanker costs. Water losses reported amounts to R51 712 781 (2016/17: R33 718 261) kiloliters.				Calculation of water inventory will exclude all costs that are not involved in the determination of the costs of water inventory as detailed above	31-Mar-19	BTO	
8. Remuneration of senior managers not in terms of the MSA							
Municipal Systems Act, 2000 (Act No. 32 of 2000) regulation 35 of the local government on appointments and conditions of employment of senior managers issued in terms of Government notice No. 21 as published under Government Gazette No. 37245 of 17 January 2014 regulate the upper limits of total remuneration packages payable to municipal managers and managers directly accountable to the municipal manager It was noted that the municipal manager and some of his senior managers annual total remuneration packages were not structured in terms of the above requirement.	Financial management The municipality did not comply with regulation 35 on appointments and conditions of employment of senior managers	The municipality should comply with regulation 35 on appointments and conditions of employment of senior managers	Management agrees with the finding.	(1) Item to be table to ExCo and Council requesting permission to submit an application for a Waiver from the National Minister of Cogta. (2) Item to be tabled at ExCo on 23 Jan 2019 and Council on 31 Jan 2019.	30-Jun-19	Corporate Services	Work-in-progress
9. KPI: Indicators are not well-defined							
In terms of framework for managing programme performance information (FMPP) paragraph 3.2 the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use. The following performance indicators for basic service delivery and infrastructure development do not have a clear unambiguous definition: • ENGS 1.3: Number of completed units with their GPS co-ordinates • ENGS 1.6: % of Brakfontein reservoir work performed per quarter; Brakfontein reservoir constructed by date • ENGS 1.9: % of work completed • Number of completed units under Buffalo Flats Sanitation project • ENGS 1.11: % of work completed • ENGS 1.12: % of work completed	Financial and Performance management • Management does not have technical indicator descriptions that will allow management to be able to document performance indicators that are well defined • Management did not adequately review the planning and reporting documents to ensure that performance indicators are well defined • Inadequate management oversight responsibility regarding performance reporting and the related internal controls.	Management should design technical indicator descriptions so that the performance required and measurement method used is easily understood. The SDBIP for 2018/19 should be amended so that the performance indicators are well defined.	Recommendation from AG is accepted. The Municipality will consider AG's recommendation during the revision of the SDBIP 2018/19 which will take place after approval of the adjustment budget.	Development of Technical Indicators.	31-Jan-19	OMM	Heads of Departments were advised to develop and submit their Technical Indicators by 25 Jan 2019 .
			No need to review the SDBIP.	None	09-Jan-19	OMM	The development of Technical Indicators does not require the review of the SDBIP.

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10. Deviations not in terms of the SCM Regulation 36							
<p>Supply Chain Management section 36 (1)(a) requires that: "if deviating from, ratifications of minor breaches of procurement processes, A supply chain management policy may allow the accounting officer:</p> <p>(a) To dispense with the official procurement process established by the policy and to procure good and services through any convenient process which may include any direct negotiations but only:</p> <p>i) in an emergency ii) if such goods or services are produced or available from a single provider only iii) for the acquisition of special works or historical objects where specifications are difficult to compile iv) acquisition of animals for zoo's v) in any exceptional case where it is impractical or impossible to follow an official procurement process.</p>	<ul style="list-style-type: none"> • Controls were not in place to review and monitor compliance with applicable legislation • There are no mechanisms in place to ensure that deviations which do not comply with legislation are not processed. 	<p>Management should implement internal controls to monitor compliance with SCM regulations</p>	<p>We agree with the finding</p>	<p>First Technology KZN (Pty) Ltd - Office 365</p>	<p>09-Nov-18</p>	<p>BTO</p>	
				<p>Market Demand Trading - Assets</p>		<p>BTO</p>	
				<p>Puranje Enterprise (Pty) Ltd - Meter Replacement</p>		<p>BTO</p>	
11. Prior year's irregular and fruitless and wasteful expenditure were not investigated							
<p>Section 32(2)(b) of the MFMA states that a municipality must recover irregular and fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure, in the case of irregular or fruitless and wasteful, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.</p> <p>It was noted that the municipality did not conduct investigations into the irregular and fruitless and wasteful expenditure that was incurred in the previous years.</p>	<p>Leadership Council investigated all instances of irregular expenditure to determine if any person was liable for the expenditure.</p>	<p>1. Council should investigate all instances of irregular expenditure to determine if any person was liable for the expenditure.</p>	<p>Council minutes were submitted to show consequence management</p>	<p>Item to be tabled at the MPAC meeting for consideration.</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>MPAC meeting is confirmed for 05 Feb 2019.</p>
		<p>2. Irregular expenditure investigations were properly conducted.</p>		<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>
		<p>3. The investigations into irregular expenditure included the following criteria.</p>		<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>
		<ul style="list-style-type: none"> • The investigation was commissioned/ approved at the appropriate level 		<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>
		<ul style="list-style-type: none"> • Terms of reference of the investigations were approved 		<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>
		<ul style="list-style-type: none"> • The scope of the investigation addressed the allegation 		<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>
		<ul style="list-style-type: none"> • The recommendations/ findings were relevant to the allegations 		<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>
		<ul style="list-style-type: none"> • Investigations complied with the municipality's policies with regards to independence and qualification/ position 		<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>
<p>4. If an investigation determined that an official was liable for the irregular expenditure, the resultant loss was recovered or is in the process of being recovered from the official, unless if certified by the council as irrecoverable.</p>	<p>Work-in-progress</p>	<p>05-Feb-19</p>	<p>0MM</p>	<p>Work-in-progress</p>			

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12. Payments not made within 30 days							
<p>In terms of section 65(2)(c) and (e) of the Municipal Finance Management Act of the Republic of South Africa, 2003 (Act No. 56 of 2003), the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a system of internal control in respect of creditors and payments, and that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure</p> <p>We identified invoices from creditors that were not paid within 30 days from receipt of invoice. The listing of the invoices not paid within 30 days has been communicated separately as an annexure.</p>	<p>The municipality did not review and monitor compliance with applicable laws and regulations.</p>	<p>It is recommended that management should ensure that payments are made within 30 days from the receipt of the invoice.</p>	<p>Management agrees with the audit finding. The late payments are caused by the financial challenges that are faced by the municipality.</p>	<p>Finalization of the Draft Financial Recovery Plan</p>	<p>28-Feb-19</p>	<p>OMM</p>	<p>Date of the workshop to finalize the Draft Financial Recovery Plan is scheduled for Tues. 29 Jan 2019.</p>
14. Indigent register							
<p>The Municipal System Act 32 of 2000 paragraph 97(1) ('c) "Contents of policy. — (1) A credit control and debt collection policy must provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents."</p> <p>The municipality does not have an indigent register..</p>	<p>Management did not construct the indigent register</p> <p>Leadership Lack of controls for maintaining all the required policies and the register.</p>	<p>We recommend that the municipality develop the indigent register.</p>	<p>Management agrees with the finding</p>	<p>Submit report on indigent register to Exco for recommendation to Council</p>	<p>28-Feb-19</p>	<p>BTO</p>	<p>1. Report was tabled to EXCO in September and October 2018. 2. Workshop on the indigent policy and indigent register to political leadership and TMC is underway.</p>

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15.18-Work in progress (WIP) not disclosed as required by GRAP 17 par 87							
<p>GRAP 17 paragraph 87 requires an entity to disclose the following in the notes to the financial statements in relation to property, plant and equipment which is in the process of being constructed or developed:</p> <ol style="list-style-type: none"> 1. The cumulative expenditure recognised in the carrying value of property, plant and equipment. These expenditures shall be disclosed in aggregate per class of asset. 2. The carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays. 3. The carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets <p>The municipality has work in progress amounting to R89 971 327 shown in note three (3) to the financial statements that is not disclosed as required by GRAP 17 paragraph 87.</p>	<p>Financial management Lack of control to ensure that the financial statements are prepared according to the GRAP requirements.</p> <p>Governance The audit committee did not review to ensure that financial statements comply with GRAP requirements.</p>	<p>We recommend the correction of the financial statements to ensure that WIP is disclosed as required by GRAP 17 paragraph 87.</p>	<p>Management agrees with the finding</p>	<p>Financial statements corrected</p>	<p>09-Nov-18</p>	<p>BTO</p>	
16. Property, Plant and Equipment: No evidence of assessment of the useful lives as required by GRAP 17 par. 56							
<p>Generally, Recognized Accounting Practice (GRAP) 17 paragraph 56 requires entity to assess at each reporting date whether there is any indication that the entity's expectations about the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life accordingly.</p> <p>The municipality did not provide evidence that useful lives have been assessed as for the year ending 30 June 2018 for property plant and equipment (PPE) as recorded in note three (3) to the financial statements.</p> <p>This may have result in the value of property, plant and equipment being undervalued /overvalued because of the depreciation being calculated on incorrect carrying amounts and useful lives. Furthermore, depreciation for the year has possibly been calculated on incorrect remaining useful lives and that the carrying amounts of all assets could be misstated by an unquantifiable amount</p>	<ul style="list-style-type: none"> • The useful lives and residual values used have not been assessed in accordance with the requirements of GRAP 17. • Management could not monitor the work performed by the management expert in respect of the annual asset management policies and procedures. 	<ul style="list-style-type: none"> • Management should assesses the useful lives and residual values in accordance with the requirements of GRAP 17 • Management should implement internal control procedure to monitor the work of the management expert to ensure that assets are assessed for useful lives as required by GRAP Standard 	<p>Management agrees with the finding.</p>	<p>Management to ensure that Assets for useful lives are assessed according to GRAP 17.</p>	<p>30-Jun-19</p>	<p>BTO & ENG</p>	

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17. Municipal policies not approved							
In terms of Section 73(1)(1) Reports on failure to adopt or implement budget - related and other policies. The accounting officer must inform the provincial treasury, in writing, of: (a) any failure by the council of the municipality to adopt or implement a budget-related policy or a supply chain management policy referred to in section 111. During the audit the under-mentioned policies were not approved:	Management and councilors did not approved and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities.	Management should implement a process where all relevant and active policies are uploaded on the Municipalities website for easy reference and accessibility. Management should also implement a policy register for all the approved and relevant policies. The register should also indicate the subsequent review dates.	Management agrees with the finding	Draft Policies to be tabled at Council for adoption.	30-Mar-19	Corporate Services	Draft policies have been developed and tabled at the LLF as part of the consultation process. Council Policy workshop to be convened by 28 Feb 2019 .
18. The Municipality does not maintain a contract register							
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control The Municipality does not maintain a contract register. This was due to delays in completing the process of inputting the information contained in the manual contracts register into the electronic contracts register template provided by the Provincial Treasury.	Management has not monitored that the contracts are listed in the contract register and the processes of completing the contract register has not been monitored	Management should monitor that the municipality's contract register is completed and that all contracts are listed on the contract register.	Management agrees with the finding	Contract Register to be completed and circulated to management for appropriate actions to be taken	2018/11/30	BTO	
19. Indicators do not have Technical Indicator Descriptions							
The municipality does not have Technical Indicator Descriptions or Standard Operating Procedures for any of the indicators included in the SDBIP and APR This may and has resulted in the Municipality setting indicators that are not appropriate, not verifiable and not well defined.	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.	Management should ensure that Technical Indicator Descriptions are established.	Management agrees with the finding	Cogta to be requested to provide a capacity building workshop on the development of Technical Indicators.	07-Jan-19	OMM	Extended Manco was workshop on the development of Technical Indicators. <i>POE</i> : Copy of the presentation and Attendance Register.
				Departments to develop the Technical Indicators for the 2018/2019 SDBIP targets.	31-Jan-19	OMM	Memo dated 09 Jan 2019 was circulated to the Heads of Departments advising them to develop the Technical Indicators.

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
20. No PO: Reported actual performance is not consistent with planned performance							
<p>In terms of the Municipal Systems Act section 41(1), a municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed:</p> <p>(a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;</p> <p>(b) set measurable performance targets with regard to each of those development priorities and objectives;</p> <p>(c) with regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b):</p> <p>(i) monitor performance; and</p> <p>(ii) measure and review performance at least once per year;</p>	<p>Management did not follow National Treasury guidelines in reporting performance information Financial and Performance management</p> <ul style="list-style-type: none"> Management did not adequately review the planning and reporting documents to ensure that there is consistency between the Service Delivery and Budget Implementation Plan (SDBIP) and annual performance report (APR) Inadequate management oversight responsibility regarding performance reporting and the related internal controls. 	<p>Management should ensure that the necessary adjustments are made to ensure consistency between the APR and SDBIP. Furthermore, going forward, the SDBIP and APR should be thoroughly reviewed by the council before the documents are submitted as the final document.</p>	<p>Management agrees with the finding</p>		<p>09-Nov-18</p>	<p>OMM</p>	
21. Water losses were not calculated using the NT MFMA Circular 71 formula							
<p>According to the National Treasury Circular 71 of 2014 regarding uniform financial ratios and norms, the formula which should be used to calculate water losses is:</p> <p>((Number of kiloliters water purchased or purified - Number of kiloliters water sold) ÷ Number of kiloliters water purchased or purified × 100)</p> <p>During the review of the Amajuba District Municipality's calculation applied to calculate water losses, it has been noted that the formula differed to that prescribed by National Treasury circular 71. The formula applied by the municipality is as follows:</p>	<p>Management was unaware of the formula prescribed by National Treasury in circular 71, therefore it was not applied to calculate water losses.</p>	<p>Management should use the formula as prescribed by National Treasury in circular 71 to calculate water losses. Adjustments to the affected reports should be applied.</p>	<p>The management agrees with audit finding. The water loss calculation will be corrected to be in line with MFMA circular 71.</p>	<p>Formula as prescribed by National Treasury in circular 71 to be used to calculate water losses.</p>	<p>30-Jun-19</p>	<p>BTO</p>	
22. Limitation of scope - No supporting evidence for bulk purified water							

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
<p>In terms of section 62(1)(b) & (c)(i) of the MFMA, "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept and that the municipality maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The municipality indicated that a new smart metering system for bulk water was implemented during the 2017/18 financial year. These new bulk meters provide automated meter readings to the SCADA system. The no drop report, which the municipality uses to calculate water losses is compiled using information from the SCADA system. The municipality could not provide an alternative supporting documentation to confirm the bulk meter readings.</p> <p>No assurance could be placed on the bulk purification and purchases information provided to audit to re-perform the calculation on water losses. This results in a limitation of scope.</p>	<p>The accounting officer did not ensure that there was adequate evidence supporting the bulk meter readings.</p>	<p>The accounting officer should implement adequate systems to ensure that sufficient supporting evidence relating to bulk water production and purchases is available.</p>	<p>Management agrees with the finding</p>		<p>09-Nov-18</p>	<p>Engineering Services</p>	

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
23. No policy for the routine maintenance of water and sanitation infrastructure							
<p>In terms of section 11(3) (a) of the Municipal Systems Act which states "A municipality exercises its legislative or executive authority by— Developing and adopting policies, plans, strategies and programmes, including setting targets for delivery";</p> <p>During the audit it was identified that the municipality does not have an approved policy in place that addresses routine maintenance of its water and sanitation infrastructure assets. The absence of an approved routine maintenance policy for water and sanitation resulted in no planned maintenance on water and sanitation infrastructure being conducted (short and long term).</p>	<p>The accounting officer did not exercise adequate oversight responsibility to ensure that all policies governing effective service delivery were in place, approved and implemented.</p>	<p>A comprehensive policy on the maintenance of water and sanitation infrastructure to facilitate decision making should be developed, approved and implemented.</p>	<p>Management agrees with the finding. The municipality has a draft Water and Sanitation Maintenance Policy</p>	<p>Asset Management Policy to be reviewed to incorporate issues relating to the manitance of water and sanitation infrastructure.</p>	<p>30-Jun-19</p>	<p>Engineering Services</p>	<p>BTO/Engineering Services Steering Committee resolved for the review of the current Asset Managment Policy (09 Jan 2019).</p>
				<p>Development of an Asset Management Plan.</p>	<p>30-Jun-19</p>	<p>Engineering Services</p>	<p>The above policy to guide the development of the Plan.</p>
24. No standard procedure guiding the development of a conditional assessment							
<p>The Amajuba district municipality does not have a standard operating procedure guiding the development of condition assessments of water and sanitation infrastructure in the district.</p> <p>Condition data is used to determine the need and timing for some routine maintenance and remedial action to prevent loss of service or economic loss.</p> <p>The conditional assessment of water and sanitation infrastructure for the district was previously completed in 2016. The municipality was assisted by COGTA and a consultant to perform this assessment.</p>	<p>The accounting officer was not aware that standard procedures relating to the development of conditional assessment for water and sanitation infrastructure should be developed.</p>	<p>Standard operating procedures for condition assessment to be conducted on water and sanitation infrastructure in the district should be developed and implement. At a minimum the procedures should include the following:</p> <ul style="list-style-type: none"> •When and how to conduct a condition assessment, •the frequency of a condition assessment, and •the skills of the officials that should conduct the condition assessment •Budget if the conditions assessment would be conducted by a consultant. 	<p>Management agrees to the finding. A standard operating procedure for conditional assessment to be developed 30 March 2019.</p>	<p>Development of SOPs.</p>	<p>30-Jun-19</p>	<p>Engineering Services</p>	<p>The developed and approved Asset Management Policy and Plan to form the basis for the development of the SOPs.</p>

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
25. No routine maintenance plan developed for water and sanitation infrastructure							
<p>In terms of section 11(3) (a) of the Municipal Systems Act which states "A municipality exercises its legislative or executive authority by—Developing and adopting policies, plans, strategies and programmes, including setting targets for delivery";</p> <p>The municipality does not have a routine maintenance plan water and sanitation infrastructure in the district. During discussions with the relevant individuals from the technical unit, it was indicated that maintenance of water and sanitation infrastructure is done on a reactive basis in the district.</p> <p>A routine maintenance plan should include the following:</p> <ul style="list-style-type: none"> • Definition of maintenance standards; • Allowance for the rectification of existing defects; • Description of the work to be carried out; and • Forecast of the necessary maintenance, major repairs and preventative maintenance expenditure for the planning period. <p>Without a routine maintenance plan management is not in a position to make informed decisions, e.g. prioritizing which water and sanitation infrastructure assets require urgent intervention. Consequently, there was no planned</p>	<p>The accounting officer did not exercise adequate oversight to ensure that all plans governing effective service delivery are in place, approved and implemented.</p>	<p>Management should implement a maintenance plan for water and sanitation infrastructure, per the guideline, to enable maintenance action to be taken in a timely and cost-effective manner, which will also help to preserve the asset's value. As part of an action plan, a designated senior official should be assigned this responsibility to be achieved within agreed upon timeline with regular reporting and monitoring measures in place.</p>	<p>Management agrees to the finding. A standard operating procedure for conditional assessment to be developed 30 March 2019.</p>	<p>Implementation of Asset Management Plan.</p>	<p>30-Jun-19</p>	<p>Engineering Services</p>	<p>The developed and approved Asset Management Policy and Plan to form the basis for the development of the SOPs.</p>
26. Technical vacancies in the Project Management Unit (PMU)							
<p>In terms of section 79 of the Municipal Systems Act which states "If a municipality decides to provide a municipal service through an internal mechanism", it must - "(a) allocate sufficient human, financial and other resources necessary for the proper provision of the service;";</p> <p>There are insufficient qualified engineers to conduct the condition assessments and meet project needs and oversee the work performed by consulting engineers in relation to water and sanitation infrastructure due to two vacancies in the project management unit.</p> <p>A consequence of not having adequate staff can be seen in the finding on achievement of service delivery targets, with the targets for only 2 of 10 water and sanitation projects implemented for 2017/18 being met. In addition, where quality defects are noted on projects, could be due to the lack of monitoring on projects due to a lack of capacity within the municipality.</p>	<p>The accounting officer did not ensure that the project management unit at the municipality was sufficiently capacitated.</p>	<p>The accounting officer should ensure the project management unit is capacitated in order to assist the municipality in carrying out its service delivery function.</p>	<p>Management agrees with the finding.</p>	<p>Review of the current organogram in order to correctly align the existing posts in the PMU organogram to meet the core function of PMU.</p>	<p>30-Jun-19</p>	<p>Engineering Services</p>	<p>Ongoing review of the current organogram of the ADM.</p>

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
27.No project value or timelines on the approved project list for water and sanitation project							
<p>In terms of section 62(1) (c) (i) of the MFMA, an Accounting Officer (AO) for a municipality "must ensure that the municipality has and maintains effective efficient and transparent systems of financial and risk management and internal control." Section 62(1) (a) states that the AO "is responsible for the effective, efficient, economical and transparent use of resources of the municipality."</p> <p>The approved project list of water and sanitation infrastructure projects for implementation in the 2017/18 financial year did not include project values for the projects, nor did it include projected timelines for the projects. Therefore, management and council would not be able to make informed decisions relating to costs, achievement of project milestones, exercise proper project management principles and to identify delays in the projects included on the project list.</p>	<p>The accounting officer did not ensure that the project list which was approved by council contained information relating to the overall project value and timelines on the project.</p>	<p>The accounting officer should ensure that the project list which is approved contains adequate information relating to the projects to be implemented such as project value, timelines, etc.</p>	<p>Management agrees with the finding.</p>	<p>Project Implementation Plan (PIP) to be developed, aligned to the SDBIP and approved by Council (reflection of project value and timelines of each project).</p>	<p>28-Feb-19</p>	<p>Engineering Services</p>	<p>Draft PIP and Cashflows have been developed and ready to be presented to the MM and Council Committees for approval.</p>
				<p>Develop and implement Capital Programme Recovery Plan for Capital Budget for 2018/2019 FY.</p>	<p>31-Jan-19</p>	<p>Engineering Services</p>	<p>Draft Capital Programme Recovery Plan is ready to be presented to the MM and Council Committees for approval.</p>

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
28. Targets on selected key projects not met and quality issues on Buffalo flats sanitation							
<p>a) There were no annual targets for the 2017/18 financial year for the Emadlangeni Sanitation project. It was indicated during discussions with the technical team at Amajuba district that the targeted number of VIP units to be constructed was reduced due to other sanitation interventions by other government departments in the targeted area. However, there was no record of the reduced number of units or the revised contract price. In addition, it was indicated that the project is at close out stage, however the revised number of units or revised cost on the project was not available. As a result, adequate monitoring on the project could not be performed.</p> <p>b) The municipality indicated that although the overall number of VIP units targeted for Buffalo Flats Sanitation were not met, the project was at close out stage. This was due to the duration of the funding agreement lapsing.</p> <p>c) During a site inspection at the Buffalo Flats sanitation site on the 04 October 2018, the following quality issues were noted with the ventilated improved pit (VIP) latrines.</p>	<p>The accounting officer did not ensure that adequate planning and project management (annual targets, approvals for revisions in targets and costs, monitoring of quality aspects) occurred on the selected sanitation projects.</p>	<p>The accounting officer should ensure that adequate planning and project management occurs on projects to ensure that they are implemented as scheduled, in accordance with project timelines and budgets, and the agreed upon quality aspects are met by the contractors. In addition, appropriate approvals should be required for any revision of the scope indicated in the approved business plans.</p>	<p>Management noted the AG's finding.</p>	<p>Project Implementation Plan (PIP) to be developed, aligned to the SDBIP and approved by Council (reflection of project value and timelines of each project).</p>	<p>28-Feb-19</p>	<p>Engineering Services</p>	<p>Draft PIP and Cashflows have been developed and ready to be presented to the MM and Council Committees for approval.</p>
29. EPWP performance targets not achieved							
<p>The signed protocol agreement, for phase 3 of the EPWP, indicates targets on work opportunities and full time equivalents (FTE's) which the Amajuba District Municipality should achieve. However, the district municipality has not achieved the targets for FTE's and work opportunities for the past 4 and 3 financial years respectively. The 2017/18 financial year was the municipality's most significant year of underperformance relating to FTE's with only 48% of the target being achieved. The targets and actual achievement of FTE's of the district municipality for phase 3 of EPWP is indicated below:</p>	<p>Poor planning of projects to ensure that projects were implemented as scheduled in order to achieve the performance targets.</p>	<p>Ensure officials are aware of SCM processes to avoid delays in the implementation of infrastructure projects.</p>	<p>Management agrees with the finding.</p>	<p>Project Implementation Plan (PIP) to be developed, aligned to the SDBIP and approved by Council (reflection of project value and timelines of each project).</p>	<p>28-Feb-19</p>	<p>Engineering Services</p>	<p>Draft PIP and Cashflows have been developed and ready to be presented to the MM and Council Committees for approval.</p>
30. Budgeting of EPWP							

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
<p>Currently the budgeting for EPWP, only takes into account the grant allocation which is provided to the municipality through the EPWP Integrated grant. Although there are other infrastructure projects which have an EPWP component and are not funded by the EPWP Integrated grant, are not taken into account when budgeting for EPWP. These projects are budgeted for as part of the grants, however the construction and EPWP portions of these projects are not differentiated. As a result, not including all EPWP projects when budgeting for EPWP the municipality will be unable to monitor the actual expenditure for all EPWP projects, in order to have a holistic representative image regarding EPWP in the district, and to better inform management decisions relating to EPWP.</p>	<p>Management did not include all projects on the EPWP project list since some of the projects were not funded by the EPWP Integrated grant, as a result these projects EPWP component was budgeted within the infrastructure budgets.</p>	<p>Ensure that all (IG Grant, MIG/WSIG, Own funding) EPWP projects are budgeted.</p>	<p>Management agrees to the finding under section 1.2. Action plan: to communicate with public works province or national to align the system and improve planning for all projects. (refer to annexure 3 business plan-budget) /reg /progress report)</p>	<p>Strict adherence to the conditions of the EPWP Grant and timeous submission of reports to the funding department.</p>	<p>31-Dec-19</p>	<p>Engineering Services</p>	<p>Finding resolved. Reports are submitted in keeping with the conditions of the programme.</p>
31. EPWP project list not meeting targets							
<p>Section 16.1.5 of the EPWP Integrated Grant agreement signed between the Amajuba District Municipality and the National Department of Public Works indicated that the municipality should develop an EPWP Project list, which should be an annexure to the grant agreement, to meet or exceed its performance targets. The performance target for the Amajuba District Municipality as indicated in the grant agreement was 98 FTE's.</p>	<p>Management did not review the amended project list to ensure it complied with Section 16.1.5 of EPWP Integrated Grant agreement.</p>	<p>Implement a proper contract management process to ensure alignment and compliance with key contractual deliverables as stipulated in the EPWP Integrated Grant agreement, and should include a supervisory review of the project list together with the contract requirements with appropriate level sign off as evidence of review.</p>	<p>Management agrees to the finding under section 1.6. Action plan: refer the finding to National and Province to advise on finding.</p>	<p>Strict adherence to the conditions of the EPWP Grant and timeous submission of reports to the funding department.</p>	<p>31-Dec-19</p>	<p>Engineering Services</p>	<p>Finding resolved. Reports are submitted in keeping with the conditions of the programme.</p>

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
32. Lack of training to EPWP participants							
<p>The municipality provides limited training of EPWP participants conducted on EPWP projects. In terms of paragraph 14 and 14.1 of Government Gazette No. 34032 issued on 18 February 2011, training is regarded as an important component of EPWP. A clear training programme not only ensures that workers obtain all the skills required to complete their work or tasks, it is importantly aimed at assisting participants when leaving the programme to be skilled enough to be employable and/or manage their own enterprise.</p> <p>During discussions with management, it was indicated that basic informal induction training relating to the safety on site is provided to EPWP participants which are employed on infrastructure and environmental sector projects. During the 2017/18 financial year, there was no formal or accredited training provided to any of the EPWP participants in the 589 work opportunities created.</p>	<p>A formal training programme is not in place therefore the municipality is unable to identify the training needs of EPWP participants. As a result, the municipality is unable to request adequate funding to budget for the training needs.</p>	<ul style="list-style-type: none"> • Engage with National Department of Public Works concerning the challenges and limitations restricting them from implementing EPWP training and request their intervention. • Adopt a formal comprehensive training programme (ie. with a balance of accredited training, experiential training and coaching/mentoring) for the participants. This would assist in the provisioning of a budget for the training of EPWP participants. • Include training requirements in the terms and conditions of the participant's employment contracts. Where the EPWP project is contracted out, the training deliverable should also be included in the contractual arrangement in a specific clause dealing with the provision of training. 	<p>Management agrees with the finding.</p>	<p>Strict adherence to the conditions of the EPWP Grant and through the provision of training to the EPWP beneficiaries.</p>	<p>30-Jun-19</p>	<p>Engineering Services</p>	<p>Ongoing training of EPWP beneficiaries.</p>
33. Selection of EPWP beneficiaries							
<p>The EPWP participant selection was not always done within the prescribed target groups. The EPWP programme aims to draw significant numbers of the unemployed into productive work and that these workers gain skills while they work, thus taking an important step to get out of the pool of those who are marginalised. The selection of each worker must be done based on a clear set of criteria and should follow a fair and transparent process to minimize patronage and abuse. The following selection criterion applies to Phase 3 of the EPWP:</p> <ol style="list-style-type: none"> 1. Are willing and able to take up the offered work, 2. Can be categorised as poor, 3. Are unemployed or underemployed, and 4. Live close to the project area (i.e. local). 	<p>Criteria for selection of participants were not clearly communicated and implemented by the project managers, hence the screening of the participants were not in accordance with the EPWP selection criteria.</p>	<p>Enhance the tool used for EPWP selection, which will improve transparency in EPWP selection process. The tool should include:</p> <ul style="list-style-type: none"> ☑ Attendance register ☑ ID number, Name, ward, contact details of all proposed EPWP participants ☑ ID number, Name, ward, contact details of all selected EPWP participants ☑ Provision for the totals of women, youth and disabilities, in order to calculate percentages to ensure compliance to the required target groups. <p>Enhancement of the tool has already been implemented by the district municipality.</p> <ul style="list-style-type: none"> • Consult with NDPW on the functionality of ERS and how the system could provide the municipality with meaningful analysis and exception reporting on a wider spectrum of the municipality's EPWP initiatives to enhance monitoring and timely corrective actions 	<p>Management agrees to the finding under section 2.</p> <p>However, it must be noted that certain projects were very short term related such as the construction of the VIP toilets, therefore the selection was concluded within the ward were construction took place and this was managed by our internal facilitation team.</p> <p>As at 2018/19, Amajuba DM has compiled a selection process criterion that assists with the transparency for participant selection were EPWP projects are been implemented. The selection is signed off by the facilitation team and director.</p> <p>Action: to verify employment details and undertake screening of EPWP participants as per recommendations.</p>	<p>To develop a methodology (SOP) that will guide the identification and selection of EPWP beneficiaries. This to address issues such as equity and vetting of the selected beneficiaries with CICP.</p>	<p>30-Mar-19</p>	<p>Engineering Services</p>	<p>Work-in-progress</p>
34. Clauses not included in contracts with EPWP participants							

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
Clauses relating to basic conditions of employment, leave, deductions, health and safety, work hours were not included on contracts which the contractors signed with the EPWP participants. The table below provides examples of such instances:	Municipal officials did not review the contracts of the EPWP participants employed through the contractor, included the necessary clauses (ie. basic conditions, leave, deductions, work hours, etc.).	Review the contracts issued to EPWP participants, to ensure that the necessary clauses (basic conditions, leave, deductions, work hours, etc.) for employment are reflected.	Management agrees to the finding under section 3. Action: Undertake induction and insists that all contacts must be EPWP aligned.	HOD: Engineering Services to request Legal Services to assist with the review of the current Contract. Next intake of EPWP beneficiaires to be on the basis of the reviewed contract.	28-Feb-19	Engineering Services	Formal request was submitted to the HOD: Corporate Services on 10 Jan 2019 . Copy of the current Contract was attached to the request.
35. EPWP Payments to contractors							
The payment certificates received from consultants did not include a breakdown for EPWP workers on site, this cost was included in the construction costs on the project. As a result, the payments on EPWP could not be traced for a specific EPWP participant or a specific month. Furthermore, it could not be confirmed or traced that those participants received the minimum wages as prescribed by legislation.	Municipal officials did not require that EPWP be included as a separate item on the payment certificates nor did they attach the supporting evidence (attendance registers, payment registers)	Ensure that contractors distinguish EPWP costs on payment certificates, as well as attach supporting evidence such as attendance registers, payment registers, and summary of payments on EPWP, on the payment certificates.	Management agrees to the finding. Action: refer to national to amend the system for reporting breakdown on associated EPWP costs and reflect on contractor payment certificates moving forward.	Formal directive to all Consulting Engineers to submit Payment Certificates (Claims) that will reflect on the personal details of each beneficiary, number days and hours worked and the Attendance Registers.	10-Jan-19	Engineering Services	Formal communication was sent to the Service Providers on 10 Jan 2019 .
36. Vacancies within the IT Unit							
As previously reported, the Information Security Officer (ISO) position has not been established at the municipality. The IT Unit is currently composed of only one staff member as the following posts depicted on the organogram are vacant: <ul style="list-style-type: none"> Chief Technology Officer (CTO) Network Administrator Database Administrator In the absence of adequate staff resources the IT Unit might not be in a position to provide efficient and effective support to the municipality. Furthermore, vacant posts could lead to personnel performing incompatible functions and a breakdown in segregation of duties. This could result in IT not adequately supporting business operations and in turn not meeting the needs of the municipality.	The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. A lack of funding prevented the hiring of individuals to fill the vacant IT positions to resolve the audit findings.	Vacant IT posts should be evaluated, critical positions prioritised to be filled and the required budget made available.	Management agrees with the audit finding.	Filling of the Chief Technology Officer post.	01-May-19	Planning & Development	HR to assist with the actual recruitment process.
		Filling of the Network Administrator post.		01-May-19	Planning & Development	HR to assist with the actual recruitment process.	
		Job Descriptions have been developed.		30-Oct-18	Planning & Development	Draft Job Descriptions were submitted to Corporate Services for evaluation.	
37. IT Charter not implemented							
As previously reported, it was noted that although the municipality had amended its IT Charter to now include all required information, this document was only approved on the 22 August 2017 and has not yet been implemented within the municipality. If the IT Charter is not implemented and distributed to all relevant staff this may result in the IT Unit not having sufficient guidance and direction on its role and responsibilities within the municipality.	The municipality has appointed a consultant firm to develop IT governance policies and procedures, the procedures are awaiting approval from the Amajuba District Municipality Council.	The approved IT Charter should be implemented within the municipality. Formal monitoring and reporting mechanisms to ensure that the objectives of the charter are being realised should be established. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are timeously resolved.	Management agrees with the finding.	Draft IT Charter to be worshopped with Council.	30-Mar-19	Planning & Development	Draft IT Charter has been developed and it is ready to be tabled at Council for adoption.

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
38. IT Strategic Plan not implemented							
<p>As previously reported, it was noted that although the municipality had amended its IT Strategic Plan to now include all required information, this document was only approved on the 22 August 2017 and has not yet been implemented within the municipality.</p> <p>If the IT Strategic Plan is not adequately implemented this may result in IT goals not contributing to the strategic objectives of the municipality and could cause IT operations not to meet the business needs of the municipality.</p>	<p>The municipality has appointed a consultant firm to review, update and develop IT strategic plan. The plan is awaiting approval from the Amajuba District Municipality Council and will thereafter be implemented.</p>	<p>The approved IT Strategic Plan should be implemented within the municipality. Management must ensure that formal monitoring and reporting mechanisms are established to ensure that the objectives of the plan are being realised. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are timeously resolved.</p>	<p>Management agrees with the finding.</p>	<p>Draft IT Strategic Plan to be worshopped with Council.</p>	<p>30-Mar-19</p>	<p>Planning & Development</p>	<p>Draft IT Strategic Plan has been developed and it is ready to be tabled at Council for adoption.</p>
39. IT Security Policy does not contain sufficient information relating to Windows Active Directory							
<p>As previously reported, the IT Security Policy does not include the following information for Windows Active Directory:</p> <ul style="list-style-type: none"> • Reviewing system access • Logging and monitoring of privileged accounts • Default and vendor support account management • Administrator passwords • Encryption of authentication <p>The lack of an adequately documented IT Security Policy could lead to uncertainty and inconsistencies in the application and implementation of IT security processes. This may result in weak and differing IT security controls being configured on application systems used by the municipality and employees not being aware of their IT security responsibilities.</p>	<p>The municipality has appointed a consultant firm to develop IT security policies and procedures to contain sufficient information. The policies and procedures are awaiting approval from the Amajuba District Municipality Council.</p>	<p>Management should ensure that the IT Security Policy is updated to include all required information. The IT Security Policy should thereafter be approved by the relevant levels of authority, implemented within the municipality and communicated to the employees. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are timeously resolved.</p>	<p>Management agrees with the finding.</p>	<p>IT Security Policy has been updated and is ready to be tabled at Council for adoption.</p>	<p>30-Mar-19</p>	<p>Planning & Development</p>	<p>Draft IT Security Policy has been developed and it is ready to be tabled at Council for adoption.</p>
40. Security patch installations not reviewed and followed up for Windows Active Directory							
<p>As previously reported, it was noted that exception reporting and monitoring had not been performed frequently for patch management updates on Windows Active Directory.</p> <p>In the absence of regular reviews of patch reports, management may not be able to identify outdated patches which could result in computers and servers becoming vulnerable to data corruption and security breaches.</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. The single staff member that is employed in the IT Unit did not have the adequate time to review patch installations.</p>	<p>Staff should be trained so that they can perform exception monitoring and reporting for all required aspects on the Windows Active Directory. System generated reports should be regularly reviewed to identify any anomalies and appropriate action taken. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>Security Patch Reports were reviewed and are included in the Quarterly Reports submitted to the MM (Manager PMS).</p>	<p>Quarterly</p>	<p>Planning & Development</p>	<p>Quarter One Report was submitted to the Manager PMS in August 2018.</p>
41. IT Security Policy does not provide guidance on required password configurations and inadequate passwords settings configured for Windows Active Directory and Payday							
<p>As previously reported, the the IT Security Policy did not detail the required password parameters to be configured for the following controls:</p> <ul style="list-style-type: none"> • Password history • Minimum password length • Maximum password age • Lockout threshold • Session timeouts • Password complexity <p>(Refer to the management report for more details).</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. The single staff member that is employed in the IT Unit did not have the capacity to update the IT Security Policy to include required password parameters and this resulted in inconsistent password settings being configured on systems used by the municipality.</p>	<p>The IT Security Policy should be enhanced to include the parameters that must be configured for passwords on all systems used by the municipality. These recommended settings must thereafter be configured on all systems. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>IT Policy has been reviewed and is ready for Council approval.</p>	<p>Submission of the reviewed policy to Council for adoption.</p>	<p>30-Mar-19</p>	<p>Planning & Development</p>	<p>Draft reviewed policy to be tabled at Council for approval by 30 March 2019.</p>
Reviews of administrator activities not performed for Windows Active Directory, Sebata and Payday							

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
<p>As previously reported, activities performed by users with administrator privileges on the Windows Active Directory, Sebata and Payday application systems were not periodically reviewed and monitored.</p> <p>Users with administrator privileges have full control over the network and IT applications. If activities of administrators are not adequately reviewed and monitored this may result in unauthorised activities performed not being detected in a timely manner. In addition, user account maintenance activities could be performed by administrators without valid and approved requests. This may affect the integrity, confidentiality and availability of data stored on the network and IT applications.</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. There was not enough staff capacity at the municipality to assign independent persons to monitor administrator activities performed on IT systems.</p>	<p>The activities of individuals with system administrator privileges should be monitored and reviewed by a senior independent person on a regular basis. Evidence of such reviews should be retained. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>Procurement of required software that will assist with the creation of administrative reports.</p>	<p>31-Jan-19</p>	<p>Planning & Development</p>	<p>The Service Provider was appointed to provide the software (SCM Process) - Nov 2018. Follow to be made on the delivery of the software (09 Jan 2019)</p>
42. Inadequate firewall management practices							
<p>As previously reported, the following deficiencies were noted regarding the management of the firewall:</p> <ul style="list-style-type: none"> • Firewall rules had not been clearly, sufficiently and accurately commented on • Logs were not regularly, proactively analysed and acted upon • The firewall configuration was not backed up and secured • The firewall status was not monitored regularly • Firewall recovery had not been included in the disaster recovery related documents • A firewall recovery test had not been performed to ensure that the firewall was adequately redundant and the mean time to recover acceptable to management • The firewall configuration was not regularly reviewed for inconsistencies and weaknesses • The firewall configuration standard had not been reviewed during the period under review • Rules of access had not been established • Real-time alerts were not sent to firewall administrators • Changes to the firewall security rules were not formally logged and approved • Firewall administrator changes were not recorded and monitored • Firewall log reports were not being reviewed and followed up on 	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. Inadequate capacity and a lack of firewall controls knowledge existed in the IT department as there was only on permanent staff employed who had not been formally trained to manage the firewall.</p>	<p>Staff should attend training to acquire sufficient knowledge regarding the functionality of the firewall and required controls. Controls surrounding the firewall should be enhanced to ensure that the device is operating optimally and being monitored on a regular basis. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>Procured the firewalls with the required capabilities.</p>	<p>31-Jan-19</p>	<p>Planning & Development</p>	<p>The Service Provider was appointed to provide the software (SCM Process) - Nov 2018. Follow to be made on the delivery of the software (09 Jan 2019)</p>

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
43. Periodic reviews of user access rights not performed for Windows Active Directory, Sebata and Payday							
<p>As previously reported, formalised user access reviews had not been conducted for the Windows Active Directory, Sebata and Payday systems.</p> <p>Management may not be able to identify users who have been granted excessive access rights or access rights no longer required to perform the roles and responsibilities associated with their job functions. This could compromise the confidentiality, integrity and availability of data stored on systems used by the municipality.</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. Inadequate capacity and a lack of technical knowledge existed in the IT and Finance departments to perform formalised user access reviews.</p>	<p>Periodic reviews of user access rights assigned on IT systems used by the municipality should be performed to ensure that accesses assigned are still in line with the roles and responsibilities performed by an employee. Evidence of such reviews performed and subsequent actions taken should be retained. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>User Access Rights were reviewed and it is included in the Quarterly Report.</p>	<p>30-Aug-18</p>	<p>Planning & Development</p>	<p>Finding has been resolved.</p>
44. Logon violations and user activity audit trails not reviewed for Windows Active Directory, Sebata and Payday							
<p>As previously reported, no reviews had been performed to detect unusual user logon times and repeated failed logon attempts. Furthermore, user activity audit trails had not been reviewed to identify unauthorised transactions and suspicious data changes that had been performed on the systems utilised by the municipality.</p> <p>User accounts being logged onto at unusual times may be an indicator that suspicious and unauthorised activities are being performed utilising a specific user account. Not reviewing user access and logon attempts could result in unauthorised access attempts going undetected for extended periods of time. The lack of review of user activity audit trails could result in unauthorised activities performed not being detected in a timely manner.</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. Inadequate capacity existed in the IT and Finance departments to perform formal reviews of logon violations and audit trails.</p>	<p>Periodic reviews of logon violations and user activity audit trails should be performed to identify suspicious activities. Evidence of such reviews performed and subsequent actions taken should be retained. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>Procurement of required software that will assist with the creation of administrative reports.</p>	<p>31-Jan-19</p>	<p>Planning & Development</p>	<p>The Service Provider was appointed to provide the software (SCM Process) - Nov 2018. Follow to be made on the delivery of the software (09 Jan 2019)</p>
45. Password reset forms not completed for Windows Active Directory and Payday							
<p>As previously reported, password reset forms had not been maintained for password resets actioned on Windows Active Directory and Payday during the period under review.</p> <p>If the required documentation is not completed for passwords reset, management may not be able to confirm that all passwords that have been reset were initiated by valid and approved requests. This may result in individuals exploiting the password reset process to gain unauthorised access to systems used by the municipality.</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. The password reset process stipulated in the IT Security Policy was not sufficiently detailed to ensure that password reset forms were consistently completed.</p>	<p>The IT Security Policy should be enhanced to include detailed steps on the requirements to be met before a password reset will be actioned. Password reset forms should be adequately completed prior to any password reset being performed. These forms must be filed and maintained for future reference purposes. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>Password reset forms were reviewed and are included in the Quarterly Report.</p>	<p>30-Aug-18</p>	<p>Planning & Development</p>	<p>Finding has been resolved.</p>
46. User access request forms not maintained for Payday							

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
<p>As previously reported, it was noted that although access requests are telephonically communicated to the service provider by the municipality, internal access request communications were not maintained for the following on Payday:</p> <ul style="list-style-type: none"> • Changes of user access implemented • Termination of user access actioned <p>If the required documentation is not completed and approved for user access amendments, management may not be able to confirm that all user maintenance activities performed by the service provider had been initiated by valid and approved requests. Furthermore, the municipality may not be able to hold the service provider accountable for any incorrect user account management activity performed which could result in inappropriate access being assigned to users. This could compromise the confidentiality, integrity and availability of data stored on the Payday system.</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding. Management was under the impression that user access forms were the responsibility of the service provider since they add, amend and remove access once notified by the municipality. User access forms were therefore not maintained internally.</p>	<p>User access request forms should be adequately completed and approved prior to any user access amendments being performed by the service provider. These forms must be securely filed and maintained by the municipality for future reference purposes. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>PayDay Administrator was formally advised to complete the User Access Request Forms.</p>	<p>30-Oct-18</p>	<p>Planning & Development</p>	<p>Finding has been resolved.</p>
<p>47. Inadequate physical and environmental controls in the server room</p>							
<p>As previously reported, the following deficiencies were identified regarding physical and environmental controls surrounding the server room:</p> <ul style="list-style-type: none"> • Humidity controls had not been implemented • Guidelines for eating, drinking and smoking in proximity to the server room have not been established • A video camera was installed outside the server room however it has not been activated • Periodic reviews were not performed to establish the adequacy of users with access to the service room via the biometric access controls <p>Inadequate physical and environmental controls increase the risk of the IT equipment being damaged or tampered with. This may compromise the availability of IT systems and cause significant disruptions to the business operations of the municipality.</p>	<p>The municipality did not implement an adequate action plan to resolve the prior year IT audit finding in a timely manner. Management will be moving its operations to the server and thus making changes to the physical and environmental controls in the server room would be wasteful expenditure.</p>	<p>The physical and environmental controls surrounding the server room must be enhanced to ensure that in the event of a disaster or deliberate tampering with IT equipment the controls present will be sufficient to mitigate the risks and allow management to take appropriate action. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved timeously.</p>	<p>Management agrees with the finding.</p>	<p>Acting Director: Planning and Development to provide response on 14 Jan 2019.</p>	<p>14-Jan-19</p>	<p>Planning & Development</p>	<p>Matter to be discussed with the HOD and DD Planning on Monday, 14 Jan 2019.</p>

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
48. IT Service Continuity Policy still in draft							
<p>As previously reported, it was noted that although the municipality had amended its IT Service Continuity Policy to include details on the current backup procedures performed, the updated document was still in draft and had not yet been approved.</p> <p>The lack of approved backup procedures may result in employees who are required to perform backups not being aware of the correct procedures to be followed to ensure that a backup is successfully completed. This could result in the municipality not being able to rely on backups taken to restore systems and data.</p>	<p>The municipality has appointed a consultant firm to develop and update the IT service continuity policies and procedures. The policies and procedures are awaiting approval from the Amajuba District Municipality Council and will thereafter be implemented. The municipality has appointed a consultant firm to develop and update the IT service continuity policies and procedures. The policies and procedures are awaiting approval from the Amajuba District Municipality Council and will thereafter be implemented.</p>	<p>The IT Service Continuity Policy should be approved, implemented within the municipality and communicated to relevant employees. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are timeously resolved.</p>	<p>IT Service Continuity Policy has been reviewed and is ready for Council approval.</p>	<p>Submission of the reviewed policy to Council for adoption.</p>	<p>30-Mar-19</p>	<p>Planning & Development</p>	<p>Draft reviewed policy to be tabled at Council for approval by 30 March 2019.</p>
49. Disaster Recovery documents do not include sufficient detail							
<p>As previously reported, it was noted that the Continuity Strategy document and Disaster Recovery (DR) Instruction document omitted details on maintenance and testing, including the frequency of DR tests.</p> <p>In the event of a disaster the municipality may not be able to recover business operations in a timely manner if disaster recovery documents have not been adequately maintained and are reflective of the current IT environment. Management may not be aware of the effectiveness of its disaster recovery documents if regular testing is not performed as per the required frequency.</p>	<p>The municipality has appointed a consultant firm to develop IT disaster recovery documents to contain sufficient detail. The policies and procedures are awaiting approval from the Amajuba District Municipality Council and will thereafter be implemented.</p>	<p>The disaster recovery documents of the municipality should be updated to include all required information. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are timeously resolved.</p>	<p>Management agrees with the finding.</p>	<p>The Disaster Recovery Document has been updated and submitted to the AG.</p>	<p>30 Oct 2018.</p>	<p>Planning & Development</p>	<p>The finding has been resolved.</p>
50. Deficiencies in the change management processes for Sebata and Payday							
<p>As previously reported, it was noted that although service level agreements (SLA's) held with service providers state that they will manage and perform all system changes, the following change management responsibilities that cannot be outsourced were not being performed by the municipality: (Refer to the Management Report for more details).</p>	<p>The municipality has appointed a consultant firm to develop IT governance policies and procedures, the procedures are awaiting approval from the Amajuba District Municipality Council.</p> <p>Inadequate capacity existed in the IT and Finance departments to take accountability and embed stringent change management controls.</p>	<p>Change management processes should be enhanced to ensure that the municipality is aware of and approves all system changes prior to them being rolled out by service providers. Management should perform proactive monitoring of agreed upon action plans to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>Change Management Policy has been developed and it is ready to be tabled at Council for adoption.</p>	<p>30-Mar-19</p>	<p>Planning & Development</p>	<p>Draft policy to be tabled at Council for adoption.</p>
51. Amajuba District Municipality has not complied with the requirements of MSCOA							
<p>Amajuba District Municipality has not complied with the requirements of MSCOA</p>	<p>The Amajuba District Municipality has not complied with the National Treasury MSCOA requirements. As at 1 July 2017, the municipality was not able to successfully implement and report using the new required chart of accounts. Currently there are two financial systems, Sebata Financial Management System (FMS) and Sebata Enterprise Management</p>	<p>The municipality did not adequately and timeously address system and service provider challenges experienced.</p>	<p>Management should liaise with the service provider and determine the actions required to go live with the MSCOA compliant system.</p>	<p>Sebata to be formally requested to provided a report on the actions required for the ADM to go live with Mscosa.</p>	<p>11-Jan-19</p>	<p>OMM</p>	<p>Sebata was contacted and committed to submit an Action Plan by 31 Jan 2019.</p>

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
	System (EMS) running parallel at the municipality with the Sebata FMS which is not MSCOA compliant being used for financial reporting.		A detailed action plan should then be developed and closely monitored by the municipality to ensure that the timelines are met and required activities timeously performed.	Sebata developed and submitted to the municipality.	10-Jan-19	OMM	Ongoing monitoring of the targets as reflected in the attached Plan of Action.
52. Data migration from Sebata FMS to EMS not completed							
It was noted that the Amajuba district municipality has migrated from Sebata financial management system (FMS) to mScoa required Sebata enterprise management system (EMS) on 1 September 2018. It was noted that majority of the data has not been migrated. The municipality is still using the FMS system to bill customers. Not using the new system means that the municipality has been funding an application which is idle and the data is scattered over two systems. Additionally, it further indicated that the municipality has not been complying with mScoa which mandated that the municipality go live on 1 July 2017.	The municipality did not adequately and timeously address system and service provider challenges experienced.	The municipality in conjunction with Sebata should draw up a plan to fully implement the EMS system. The municipality should also take steps to solving issues identified in order for the municipality to operate on the mScoa mandated Sebata EMS.	Management agrees with the finding.	DATA is migrated from FMS to EMS on a monthly basis, while parallel running is in progress, reason for parallel running is to ensure that completeness is maintained and compliance to the NT in-year reporting requirements.	Monthly	OMM	The municipality is not paying for license fees for both systems, EMS is still in an implementation phase and license fees will only be payable once fully live in EMS.
53. Lack of system enforced segregation of duties on Sebata FMS							
It was noted that Sebata FMS does not enforce segregation of duties when making changes to the municipality tariffs. It was further noted that the service provider (Sebata) has access to make tariff changes on Sebata. The access is granted as when needed by the municipality however segregation still is not enforced and thus not ensuring that the change is per the requested tariff. Not enforcing the control may lead to inaccurate tariff changes being made to the system and thus incorrect charges being made to accounts.	The system has been replaced by Sebata EMS which will enforce segregation and thus employing the service provider to make changes to an outgoing system would be fruitless.	The municipality should ensure that any problems identified with the system are resolved so that the Sebata EMS is fully functional. The municipality should further make certain that the newly live system is used when making changes to the yearly tariffs. Lastly, the municipality should ensure that the service provider is not granted access to perform business activities on the system.	Management agrees with the finding.	Sebata FMS has user segregation of duties, the users are given permission by the municipal system administrator. Sebata has access to make changes to tariffs, however the service provider will only make changes with a written request from the municipality, furthermore user activity is monitored to ensure that unauthorized changes are detected.	10-Jan-19	OMM	Ongoing monitoring of the functionality of the Sebata EMS.
54. Targets relating to basic service delivery were not achieved							
During review of the annual performance report for 2017/18 it was found that the targets for 8 of the 10 infrastructure projects to be implemented during the 2017/18 financial year were not met. The following table reflects these projects and the performance thereof during the 2017/18 year: (Refer to the management report for more information).	The accounting officer did not ensure that: <ul style="list-style-type: none"> Projects were approved and ready for implementation during the financial year Projects were adequately planned for items such as water use licenses and funding arrangements between the different funding sources on projects were finalised Implementation of projects was delayed due to contractors and panel of consultants not being finalised. 	<ul style="list-style-type: none"> The accounting officer should ensure that projects have the necessary approvals, as well as funding arrangements before projects are finalised for implementation The accounting officer should ensure that the challenges with the appointment of contractors or panel of consultants are remedied speedily to prevent delays in the planned implementation of projects. 	Management notes AG's findings and recommendations. AG indicated that the information on the above finding will be extracted from the SDBIP Q4 Report.	Project Implementation Plan (PIP) to be developed, aligned to the SDBIP and approved by Council (reflection of project value and timelines of each project).	28-Feb-19	Engineering Services	Draft PIP and Cashflows have been developed and ready to be presented to the MM and Council Committees for approval.

Audit Finding	Internal control deficiency/Root causes	AG's Recommendation	Management's response	Remedial Action	Timeframe	Responsible	Progress
55. Service level agreements omit monthly performance reporting requirements and support procedures							
<p>As previously reported, it was noted that the following clauses as required by COBIT 5 have been omitted from the service level agreements (SLA's) held with Sebata, Payday and Mimecast:</p> <ul style="list-style-type: none"> • Requirement for performance assessment reports to be sent to management on a periodic basis • Support and call logging procedures. <p>If formal performance assessment reports are not periodically submitted to the municipality by service providers this may result in management not being aware of deviations from minimum agreed upon service levels. Staff may not be following the correct procedures when logging calls or requesting support which could result in a delayed response by the service provider.</p>	<p>Leadership</p> <p>The municipality has appointed a consultant firm to develop IT governance policies and SLA management procedures, the procedures are awaiting approval from the Amajuba District Municipality Council.</p>	<p>SLA's held with service providers should be updated to include all required information and relevant clauses. These SLA's should thereafter be signed off by both parties and monitored to ensure that the terms of the agreements are being adhered to. Management should perform proactive monitoring of agreed upon action plans and provide adequate training to ensure audit findings are resolved.</p>	<p>Management agrees with the finding.</p>	<p>All SLA to be entered into with Service Providers include the following clauses:</p> <ul style="list-style-type: none"> • Requirement for performance assessment reports to be sent to management on a periodic basis • Support and call logging procedures. 	<p>Immediately</p>	<p>Corporate Services</p>	<p>Work-in-progress</p>