

**MANAGEMENT'S ACTION PLAN TO
ADDRESS AG'S QUERRIES FOR
2018/19 FINANCIAL YEAR**

DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

EW, 6/12/19

AUDIT RESPONSE PLAN (BASED ON THE AUDIT REPORT – EXCLUDING THE MANAGEMENT REPORT – RECEIVED FROM THE AUDITOR-GENERAL IN RESPECT OF THE AUDIT OF THE 2018/19 FINANCIAL YEAR OF THE MUNICIPALITY)

(Preparation of this plan was co-ordinated by the internal audit unit on 6/12/19 in terms of KZN Cogta Circular 1 of 2018, dated 22/1/18)

Report para. no.	Finding	Action planned by management	Responsible official	Completion date	Progress to XX/XX/XX (do not report progress yet)
	Report on the audit of the financial statements – unqualified opinion				
2	In my opinion, the financial statements present fairly, in all material respects, the financial position of the Dr Nkosazana Dlamini Zuma Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended.	Noted	-	-	-
7	As disclosed in note 3 to the financial statements, material impairments of R29,10 million (2017-2018: R25,93 million) were incurred as a result of an annual review of the recoverability of receivables.	- Ward Councillors to review every indigent on an annual basis. All outstanding amounts that accrued to the indigents before them registering as indigents must be written off. - Indigents to be vetted and updated regularly - Councillors and staff members debtors' balances amounts must be deducted on a monthly basis from during the payroll runs.	CFO	29 February 2020 Ongoing Ongoing	

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		- Review of debt collection policy to allow/delegate the Accounting Officer to negotiate payment arrangements above 36 months. - Conduct individual meetings with the churches, debtors and government departments owing big balances, - Explore the possibility of expropriating redundant government properties - Institute preventative action to prevent insolvent businesses from going into arrears. The Municipality must not allow businesses to go into arrears by implementing the credit control and debt collection policy on time - Businesses who are unable to pay their accounts due to cash flow problems should be properly managed in order to assist them and reduce the risk of having to write off debt unnecessarily. - If a Business/ Farm goes insolvent and not all the money owed is recovered the outstanding balance must be written off, - Financial Statements of financially struggling businesses must be requested and assessed when payment arrangements are		28 February 2020 28 February and Ongoing 31 September 2020 Ongoing Ongoing Ongoing Ongoing	

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		to be made - Utilisation of GIS to locate remote agricultural property owners for one on one meetings. - Upfront payment must be made for all "once off customers". - Strengthening and capacitating of Customer Care Unit and Debt Collection unit - Mayor and Management to be part of debt collection team especially on government debt and high commercial debt - Utilisation of Debtors module on Samras - Activation of E-Services to allow customers to access their monthly bills through municipal website. - Create more payment and enquiry facilities across the municipal area		Ongoing Ongoing 30 April 2020 Ongoing 31 May 2020 31 September 2020	
8	As disclosed in the statement of comparison of budget and actual amounts, the municipality materially underspent by R15,73 million on operational costs and R2,93 million on electrification projects.	- Close monitoring of Procurement Plan through MANCO meetings - Monthly emailing of Budget Statements to Senior and Middle management as we as Project Managers. - Advising Management, Project Manager about poor performing	CFO	Monthly (Ongoing) Monthly (Ongoing)	

Report para. no.	Finding	Action planned by management	Responsible official	Completion date	Progress to XX/XX/XX (do not report progress yet)						
		votes		Monthly (ongoing)							
	Report on the audit of the annual performance report – qualified opinion										
20	The indicators and related targets did not relate to the realisation of the strategic objective of the municipality. This is because the achievement of the indicator was measured through the activities of the projects, instead of the actual number of municipal libraries upgraded, libraries maintained and taxi ranks constructed.	More attention and focus is going to be put on the revision of the SDBIP in order to ensure alignment between indicators and planned targets for the year 2019/20. The revised SDBIP will be submitted to the Provincial Cogta for further review and more technical assistance will be requested from the department and the district municipality. PMS Unit has secured a session with Cogta M&E Unit where the first draft of the 2019/20 revised SDBIP will be discussed in preparation for the next audit. <table><thead><tr><th>Planned indicator</th><th>Planned target</th></tr></thead><tbody><tr><td>Number of municipal libraries upgraded</td><td>Submission of designs and establishment of site by 30 June 2019</td></tr><tr><td>Number of libraries maintained</td><td>Appointment of service provider, 1 library completed by 30 June 2019</td></tr></tbody></table> Technical Indicator Descriptions/ business process and Performance	Planned indicator	Planned target	Number of municipal libraries upgraded	Submission of designs and establishment of site by 30 June 2019	Number of libraries maintained	Appointment of service provider, 1 library completed by 30 June 2019	Strategic Support Services Manager	29 February 2020	
Planned indicator	Planned target										
Number of municipal libraries upgraded	Submission of designs and establishment of site by 30 June 2019										
Number of libraries maintained	Appointment of service provider, 1 library completed by 30 June 2019										
				03 February 2020							
				29 February 2020							

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	Number of taxi ranks constructed Appointment of the contractor and site establishment of 1 taxi rank by 30 June 2019	Management Standard Operating Procedures will be reviewed together with the service delivery and budget implementation plan to ensure alignment of indicators and targets.			
23	I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.	The municipality is in a process of procuring of an automated Performance management system which will assist in minimising misalignments and misstatements between the planning document and the annual performance report. The system will also assist the organisation in the implementation of a proper document management system to ensure that complete, relevant and accurate information is easily accessible and available for audit purposes. The automated system will also assist in the cascading of PMS to lower level and such will improve accountability at all levels. PMS Unit has secured a session with Cogta M&E Unit where the first draft of the 2019/20 revised SDBIP will be discussed in preparation for the next audit.	Strategic Support Services Manager	29 February 2020	
				03 February 2020	

Report para. no.	Finding	Action planned by management	Responsible official	Completion date	Progress to XX/XX/XX (do not report progress yet)
	Report on the audit of compliance with legislation				
26	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	- Financial statements and supporting documents prepared monthly - Monthly preparation of reconciliations and registers - Monthly analysis and review of TB and Ledger - Implementation of GRAP Checklist on monthly financial statements - Creating a culture of learning and development in BTO through monthly trainings and workshops, focusing on accounting activities, MFMA, best practices and so on... - Interdepartmental workshops and trainings focusing on assets, budget, SCM and policies will be undertaken. - GRAP pronouncements, with effective 1 April 2019 must be implemented on monthly financial statements and be audited for credibility purposes. - 100% Adherence on approved procedure manuals and financial	CFO	- Ongoing - 31 March 2020 - Monthly - Monthly - Monthly - Quarterly 28 February 2020 and ongoing - Ongoing	

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		checklist - Implementation of internal audit action plan and risk management action plan - Appreciation of effort by Engineering (PWBS) department on Infrastructure Accounting - Financial statements prepared monthly - Asset register assessed for completeness and compliance to standards - Phasing in of monthly performance plans to BTO Unit heads - Request Treasury to assist with review of AFS and training on review of AFS - Conducting GRAP updates training/workshop to all BTO staff		28 February 2020 Ongoing 8 February 2020 and Ongoing Monthly 28 February 2020 and ongoing 28 February 2020 31 May 2020	
28	The unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.	- Conducting of investigation on unauthorised expenditure for prior years	Municipal Manager/Council	30/04/2020	
29	Irregular, fruitless and wasteful	- Conducting of investigation on	Municipal	30/04/2020	

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	expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.	- Irregular, fruitless and wasteful expenditure for prior years - Development and implementation of Procedure Manual for UIFW investigations that will include all investigation requirements as per MFMA	Manager		
30	Reasonable steps were not taken to prevent irregular expenditure amounting to R9,3 million as disclosed in note 32 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.	Reviewing and amendments of SCM checklist in order to prevent and detect non-compliance with SCM Prescripts	CFO	31 January 2020	
	Internal control deficiencies				
39	Leadership did not perform effective oversight and monitoring to ensure that delegated officials consistently applied policies and procedures and related internal controls to achieve reliable and credible financial and performance reporting as well as compliance with applicable legislation.	- Continue with regular Manco meetings at which departmental reports are presented and considered - Increased support for the audit committee and internal audit unit in improving internal controls - Increased support for the risk management function	MM	Ongoing	

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40	Senior management did not implement adequate review procedures to ensure that the annual financial statements and annual performance report were accurately prepared and supported by reliable and credible information.	- Prepare interim financial statements that will be rigorously reviewed by Internal Audit, Management and Provincial Treasury - Quarterly performance reports to be rigorously reviewed by management, CoGTA and Internal Audit.	MM	31 March 2020 Quarterly	
41	The internal audit unit did not perform adequate reviews of the financial statements and annual performance report prior to submission for auditing and also did not review compliance with key legislation applicable to the municipality.	1. Detailed review of the interim financial statements 2. Detailed review of the 2019/20 mid-year adjusted SDBIP, especially focused on SMART-ness of performance indicators and targets. 3. Detailed review of the 2020/21 proposed SDBIP prior to signature by the Mayor.	IA Manager	1. 30 April 2020 and 30 June 2020 2. 10 February 2020 3. 10 June 2020	