INTERNAL AUDIT REPORT ON THE 2018/19 ANNUAL REPORT

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**INTERNAL AUDIT UNIT**

**REVIEW NOTES – 2018/19 ANNUAL PERFORMANCE REPORT**

| **No.** | **Ref no. in the APR** | **Finding**  | **Recommendation** | **Responses by Management** |
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| 1 | - | It was agreed with the Strategic Support Manager that two portions of the APR are still in the process of preparation as at date of review of the APR reporting template which was received at internal audit on 16/8/19. These are:* Narrative section
* Performance of external service-providers

This leaves the performance report template as the subject of this report. Testing procedures, starting with the PWBS Department, followed the following approach:* Verification of planned performance indicators and targets with the planning document (SDBIP).
* Agreement, as far as this is possible, of the 2017/18 comparative information (targets and actual outcomes) with the audited 2017/18 APR.
* Review of the performance outcomes claimed for 2018/19, explanations for any under-performance and explanations of any planned corrective actions.
* Review of the electronic POE files that support achievements as well as that support planned corrective measures.
 | - | The PMS unit is in consultation with HoDs in terms of finalising the last part of the APR. The component on the performance of service providers is being updated by SCM and this will be consolidated in the APR which will be submitted to IA by 28 August 2019.  |
| 2 | - | At date of this report on 18/8/19 the electronic POE documents had not yet been received in respect of the following departments:* Public Works and Basic Services
* Corporate Services

Two paper files in respect of the PWBS Department were handed to IA as an interim measure in lieu of the electronic version. However, these files have not yet been organised, combined and sorted by objective number, as evidenced by an unsuccessful attempt to audit objective PWBS 1 (construction of gravel roads). Therefore, the outcomes claimed for these two departments have not yet been verified against supporting evidence.  | Due to the historical focus of the AG on the PWBS Department’s performance - based on physical service-delivery and large budgets - it is critical that the POE files for these two departments be finalised without delay. | The finding is noted. The PoE files has been sorted out to follow the accumulative sequence. In addition to the Reporting template an operational plan is submitted to provide clear explanation on the consolidated annual targets. The PMS Unit prepared a summarised report that indicates the actual performance of 11.9km for PWBS 1 |
| 3 | - | The APR and POE documents do not appear to have been subjected to review, correction and sign-off by the department managers. This appears to be unfortunate since the managers, working in consultation with their staff members, are in the first instance familiar with the performance of their departments and are therefore best placed to examine each objective and to provide wording and evidence that fairly-reflects the entire content of each line-item. This, in turn, provides users of the APR with an opportunity to assess, in a balanced way, the performance of each department and the municipality as a whole. It would not seem appropriate to rely upon the PMS Unit and the internal audit unit to provide the appropriate content for each line-item in the APR since these two units are one and two steps respectively removed from the activities in each department. | The APR and supporting POEs should be reviewed, corrected and signed-off by the department managers prior to submission to the audit committee on 21 August 2019 and again on 29 August.This review should include reference to the mid-year adjusted SDBIP and the 2017/18 audited APR. | The finding is noted and have been corrected as per the IA’s recommendation. All HoDs have signed their draft APR before submission to the APAC  |
| 4 |  PWBS heading | Name of the municipality is spelt incorrectly as “DLMAINI”.  | Review the entire document for correctness of headings. | This was a grammatical error which had been corrected on the reporting template.This has been corrected in the final draft APR. |
| 5 | Various | In many cases the “Baseline” information is in conflict with the reported actual outcomes in respect of the 2017/18 FY. From an explanation received from the PMS Unit the heading “Baseline” refers to the performance of the previous FY.The following serve as examples of this conflict:* PWBS 1: 2017/18 actual outcome states “19,6 km of gravel access road constructed” while baseline (in the next column) states that “12,2 km was constructed in 17/18”.
* PWBS 2: 2017/18 actual outcome states “1,2 km of Bulwer roads asphalted” while baseline states that “3 km roads were paved 2017/18”. This apparent conflict is further complicated by PWBS 3 which is also concerned with asphalting of roads.
* PWBS 6: Baseline claim of 3 sportsfields constructed in 2017/18 FY conflicts with 2017/18 outcome of 2 constructed in the previous column.
* PWBS 8: 14 amenities are reported as targeted to be maintained in 2017/18. 7 are reported as not achieved. This leaves an apparent balance of 7 that were successfully maintained. However, the baseline column reports that “5 community assets were maintained in 17/18”. This leaves an apparent unreconciled difference of 2 amenities”.
* PWBS 9: States that no libraries were maintained in the 2017/18 FY as no service-provider had been appointed. The baseline claims that “1 library was maintained in 17/18”.
 | Consider deletion of the baseline column. (While this column may have been recommended in a recent communication from Cogta, this column is not prescribed by MSA section 46 on annual performance reports. Moreover, contents of the APR is primarily under the control of the municipality itself as a separate sphere of government). Alternatively align the information in the various columns to avoid such conflict. | The finding is noted and the Baseline column has been deleted to minimise blotting of the template and repetition of information which may result to distortion of information. This has been corrected in the final draft APR. |
| 6 | PWBS 1 | 2017/18 comparative information in the 2018/19 APR apparently not in agreement with the information in the 2017/18 audited APR. The following serve as examples, bearing in mind that 2018/19 was the first year in which individual projects were aggregated to form a consolidated line-item for each category of project, eg construction of gravel roads, in order to shorten the report:* PWBS 1: 2017/18 actual outcome states “19,6 km of gravel access road constructed” while an aggregation of the individual gravel roads constructed in the 2017/18 APR reveals that 21,1 km were constructed in that year.
* PWBS 5: 2017/18 actual outcome states “2 community halls constructed” while an aggregation of the individual halls constructed in the 2017/18 APR reveals that the Gala and Jabulani halls had not been completed by the end of that year.
* PWBS 15: A computation by audit of the targeted and actual households connected during the 2017/18 FY, per the 2017/18 audited APR, provides an audit-expectation of 1273 targeted and 960 for the actual. However, these amounts have been reflected in the 2018/19 APR as 1343 and 913 respectively.

In all cases where individual projects are aggregated to form summarised totals for each category of project (eg construction of various gravel roads) there is an unavoidable need to use working papers as the basis for recording the individual details and to arrive at the aggregated amounts. This concept has been reported and discussed on various occasions. For example, the audit of gravel roads claimed as completed in the 2018/19 Q4 performance report revealed large differences in the way in which the outcome claimed does not agree with the supporting evidence. | Working papers should be prepared for all such cases so as to avoid adverse findings by the AG. These workings should cover the amounts reflected in all columns in the APR, not just the 2017/18 outcome claimed. | The finding is noted, and miscalculations on PWBS 1 and other indicators within the template have been corrected on both the audited 2017/18 APR and the draft 2018/19 APR. The supporting operational plan submitted by PWBS Department contains a breakdown information per project. This will give a clear calculation on how the annual targets were achieved. The figures has been corrected in the final draft of the APR reporting template. On PWBS:15 the correct figure on the annual target is not 1273 as claimed in the IA report but 1305, the correct figure of actual achievement is indeed 960. This has been corrected in the APR. This information has been verified with IA and figures in the report are correct.  |
| 7 | Various | Various errors in dates, text and amounts:* PWBS 3: Strategic objective states: “To ensure provision of access roads by 30/6/2018”. Date should not be a past time.
* PWBS 14: The KPI commences with a lowercase words and appears to be missing a percentage amount.
* PWBS 17: Due to copy-and-paste errors the dates in the 2017/18 comparatives are reflected as 30 June 2019. These should be 30 June 2018.
 | Recommend that the entire APR be vetted for such anomalies. | The finding is noted and all grammatical errors have been corrected in the draft APR. This has been corrected PWBS 14&17 in the final draft APR. |
| 8  | Various | Targets for 2018/19, and other information, as reflected in the APR is not in agreement/alignment with the SDBIP planning document:* PWBS 9: In connection with maintenance of a library the SDBIP requires “1 library to be completed” whereas the APR requires “appointment of service-provider and site-establishment of 1 library by 30 June 2019”.
* PWBS 16: In connection with development of an electricity master plan the SDBIP requires “1 Electricity Master Plan Developed by 30 June 2019” whereas the APR requires “appointment of service-provider and 1 *draft* master plan developed by 30 June 2019”.
* PWBS 20: The text in the 2018/19 SDBIP contains specific reference to the KwaBhidla housing project but this reference has not been carried through to the APR.
* PWBS 23: The SDBIP reflects POE of “**Q1 -Q4** – progress report on maintenance of cemeteries”. However, the evidence required in the APR reflects “**Q1 -Q2** N/A, **Q3** progress report on maintenance of cemeteries and **Q4** progress report on maintenance of cemeteries”.
* CSS 26: Budget for Aloe Festival is reflected as R20 000 in the APR whereas budget in the mid-year revised SDBIP is Nil.
* CSS 34: Budget for promotion of products at shows is reflected as R50 000 in the APR whereas budget in the mid-year revised SDBIP is R150 000.
 | Recommend that all alignment between the planning and reporting documents be checked for such errors. | As per the recommendations of the IA report, the PMS Unit had verified the correctness and alignment of each indicator in order to produce a credible and compliant APR. This information has been aligned to prove alignment on both the planning and the reporting documents (SDBIP& APR) for all targets.This information has been aligned to prove alignment on both the planning and the reporting documents (SDBIP& APR) for all targets.This information has been aligned to prove alignment on both the planning and the reporting documents (SDBIP& APR) for all targets.All budget items in the APR have been corrected to be in line with the  |
| 9 | Various | It was noted during checking of the alignment of the mid-year revised SDBIP with the 2018/19 draft APR that the evidence (POE) requirements stated in the revised SDBIP were sometimes amended at the mid-year revision stage. These revisions were recorded in a “revised POE” column in the SDBIP. Some uncertainty exists as to how the “revised POE” column has carried forward any of the original evidence requirements that did not need to be changed at mid-year. It was therefore not possible during the audit, with any confidence, to establish what the finalised evidence requirements in the APR should be. The following serves as an example:* PWBS 20: do the Q1 – 2 requirements for minutes of PWBS committee meetings still stand?
 | Recommend that this aspect be reconsidered.  | The finding is noted and the set PoEs in the draft APR has been aligned to the planning document (SDBIP)The final draft of the APR reflects PoEs as per the revised SDBIP.  |
| 9 | - | In respect of the Community and Social Services Department (CSS) the 2018/19 APR template that was submitted for auditing contains the following errors and omissions:* The heading erroneously identifies the template as the “2018/19 REVISED SDBIP”.
* The template does not contain columns for the 2017/18 target and actuals. These are required by MSA section 46.
* Whereas the APR templates for the other departments contain a column for “Strategy” this template refers to this as “Measureable Output (Projects)”.
* The blocks reserved for “strategic objectives” are often left blank.
 | Recommend that the format for this department be corrected and populated accordingly with the required information. | This information has been aligned to prove alignment on both the planning and the reporting documents (SDBIP& APR) for all targets. |
| 10 | CSS 12 | The corrective measure claimed that the required 5 water troughs were delivered on 21 December 2019 cannot be correct since this date is four months in the future. | Reconsider this line-item. | The PMS unit is in a process of verifying that the amended draft APR contains correct information in terms of targets, budget &PoE. The concerned department has been requested to provide additional evidence that was not in the PoE file. This information has been aligned to prove alignment on both the planning and the reporting documents (SDBIP& APR) for all targets. |
| 11 | CSS 17  | No evidence provided to support training of jockeys. | Provide the evidence to support this claim. | Evidence has been provided by the relevant department. |
| 12 | CSS 21 | The request for evidence on events that is in red font implies that this line-item has not yet been finalised. | Provide all outstanding evidence to finalise this item. | Evidence has been provided by the relevant department. |
| 13 | CSS 24 | Advert, attendance register and signed report are still outstanding as per the note on the face of the APR. IA did not find this evidence in the POE file. | Provide all outstanding evidence to finalise this item. | Evidence has been provided by the relevant department. |
| 14 | CSS 28 | The outcome of 62 emerging farmers trained appears not to be supported with evidence. In addition, the POE file contains evidence for fashion-related activities which is not related to farming. | Provide all outstanding evidence to finalise this item as per required POE. | The evidence provided is not equivalent to the claimed performance and therefore the target is not achieved.  |
| 15 | CSS 29 | Evidence on file does not support the outcome of 62 SMMEs trained. Evidence seems to support 17 in bakery and 19 in manicure, hair and beauty. | Provide all outstanding evidence to finalise this item as per required POE. | The evidence provided is not equivalent to the claimed performance and therefore the target is not achieved. |
| 16 | CSS 30 | Evidence on file does not properly support the claimed dates of the talent show being from 24 May to 2 June 2019 as the talent show appeared, from the evidence, to occur in October 2018. In addition the evidence folder for CSS 30 includes unrelated evidential matter. | Investigate this line-item so as to align the evidence with the outcome claimed and to remove unrelated evidence from the folder. | The department has provided the necessary evidence to support the actual performance. |
| 17 | CSS 31 | The outcome claimed that 4 SMMEs were supported with non-agricultural material appears to be supported by only 2 SMMEs in the POE folder. | Provide all outstanding evidence to finalise this item as per required POE. | The evidence provided is not equivalent to the claimed performance and therefore the target is not achieved. |
| 18 | CSS 34 | The evidence in the POE folder includes documents unrelated to shows at which local products can be marketed (eg for bakery and other training).  | Investigate this line-item so as to align the evidence with the outcome claimed and to remove unrelated evidence from the folder. | The evidence provided by the relevant department is relevant to support the actual performance claimed in the report.  |
|  |  | Report to be continued on Monday, 19/8/19. E. West 18/8/19 |  |  |

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| 19 | OMM 1 | * Baseline should refer to the 2018/19 IDP.
* 2018/19 annual target should refer to the 2019/20 IDP.
* Proof of submission to the various government departments is not on the POE file.
 | Correct where necessary. | The baseline column has been deleted to prevent repetition of information which may cause confusion to the reader. The finding is noted and outstanding evidence will be made available by 20/08/2019 to IA for auditing purposes. This has been corrected by removing the baseline information to prevent repetitive information. OMM1: Actual column has been aligned with the annual target.  |
| 20 | OMM 2 | * Q1 of 2018/19 report for the PMS reviews is not on the POE file.
* Council resolution for the Q3 review is not on the POE file.
 | Correct where necessary. | The finding is noted and outstanding evidence will be made available by 20/08/2019 to IA for auditing purposes.PoE has been made available for four Performance reviewed.  |
| 21 | OMM 3 | * Reconsider alignment of the differing parties to which the performance reports are submitted as these vary from column to column.
* For Q1 proof of submission to COGTA, AG and Treasury is not on the POE file.
* For Q2 the required evidence is not on the POE file.
* Reconsider use of the words “annual performance report” instead of “annual report” in the various columns since the objective is concerned with performance reporting.
 | Correct where necessary. | The finding is noted and outstanding evidence will be made available by 20/08/2019 to IA for auditing purposes. |
| 22 | OMM 4 (risk assessment workshop) | * Please add the following sentence to the existing sentence in the 2017/18 actual column: “However, the audit committee approved roll-over of the existing risk register to be the risk register for the 2018/19 financial year”.
* Replace the sentence in the baseline column with the sentence: “The audit committee approved roll-over of the existing 2017/18 risk register to be the risk register for the 2018/19 financial year”.
* Delete the duplicated sentence in the strategic objective column.
* Please scan and include in the POE folder the signed attendance register that was previously provided to the PMS Unit.
 | Please make these adjustments to the line-items that belong to the internal audit and risk functions as an opportunity was not afforded to this unit to review their APR line-items prior to submission for internal auditing | Noted and revised accordingly. This has been updated correctly in the final draft APR. |
| 23 | OMM 5 (internal audit plan) | * Please replace the words in the 2017/18 actual column with the following: “Not achieved. The 2018/19 internal audit plan was not developed by 30/6/18. However, it was subsequently developed and then approved by the audit committee on 21/8/18”.
* Please replace the words in the 2017/18 actual column with the following: “The 2018/19 internal audit plan was approved by the audit committee on 21/8/18”.
* Please replace the words in the 2018/19 actual column with the following: “Not achieved”.
* Please replace the words in the reasons for not achieving column with the following: “The 2019/20 internal audit plan was tabled in the audit committee on 16/5/19. In terms of Cogta: Finance Circular 2 of 2019 it was then immediately forwarded to Cogta: Finance for approval. Due to internal processes in that department receipt of written approval was delayed until 6/8/19”.
* Replace the words in the corrective measures column with: “Having received informal notice of approval from Cogta the audit committee adopted the 2019/20 plan on 30/7/19. It should be noted that the cycle of the audit plan at this municipality runs from 1 September to 31 August of each year and therefore the plan was fully adopted prior to its implementation date of 1/9/19”.
* Please note that the required evidence is not yet available because: 1. The audcom minutes of 30/7/19 have not yet been confirmed sine the following meeting has not yet been held and 2. For the same reason the 2019/20 plan document has not yet been signed by the Chair of the audit committee.
 | Please make these adjustments to the line-items that belong to the internal audit and risk functions as an opportunity was not afforded to this unit to review their APR line-items prior to submission for internal auditing | This has been updated in the final draft of the APR.  |
| 24 | OMM 8 | * The evidence required to support adoption of the public participation policy, being the policy document and Council resolution, have not been placed on the POE file.
 | Correct where necessary. | The required PoE has been made available for audit purposes.  |
| 25 | OMM 9 | * The baseline information of 4 ward committee meetings held in the 17/18 FY is in conflict with the reported 2017/18 actual outcome of 3 meetings in the previous column.
* The evidence to support the meetings in Q1 has not been placed on the POE file.
 | Correct where necessary. | The required PoE has been made available for audit purposes. |
| 26 | OMM 12 | * There is no evidence on the POE file to support the outcome claimed of 85% spending of the capital budget.
 | Correct where necessary. | The required PoE has been made available for audit purposes. |
| 27 | DTPS 1 | * Budget should be reduced from R250 000 to nil as per the mid-year revised SDBIP.
* The POE requirements should be reassessed since the events in Q1 and Q2 have been overtaken by events in Q3 and Q4.
 | Correct where necessary. | This budget column has been updated to be in line with the APR.  |
| 28 | All DTPS objectives | * No evidential matter has been provided in the POE folders to support 1. Those achievements claimed, 2. Reasons for non-achievement and 3. Corrective measures.
 | Correct where necessary. | The required PoE has been made available for audit purposes. |
| 29 | DTPS 4 | * There appears to be a conflict between the baseline information of “approved township establishment” and the 2017/18 reported outcome of township establishment “not achieved”.
 | Correct where necessary. | The baseline column has been deleted.  |
| 30 | BTO | In many cases the “Baseline” information is in conflict with the reported actual outcomes in respect of the 2017/18 FY. From an explanation received from the PMS Unit the heading “Baseline” refers to the performance of the previous FY.The following serve as examples of this conflict:BTO 2: 2017/18 actual states “not achieved, 11 section 71 reports were submitted to finance committee within 10 days after month end.” And the baseline claim 12 section 71 and 66 reports submitted to finance committee and treasury office within 10 working days after the end of each month.BTO 6: 2017/18 actual states “Not achieved, the procurement plan implementation report was developed however it has not been presented to the finance committee due the fact that there has been no sitting of the committee meetings for the month of June,” while the baseline claim supply chain management policies.BTO 12: 2017/18 actual says “Not achieved, the indigent register was not submitted to council by the 30th of June 2018.” While the baseline claim that 2017/18 indigent register.BTO 13: 2017/18 actual says “90,5 % (8611) of existing households were supported with FBE in terms of the indigent register.” But the baseline claim 2700 households is supported with FBE by 30 June 2019.  | Consider deletion of the baseline column. (While this column may have been recommended in a recent communication from Cogta, this column is not prescribed by MSA section 46 on annual performance reports. Moreover, contents of the APR is primarily under the control of the municipality itself as a separate sphere of government). Alternatively align the information in the various columns to avoid such conflict. | The baseline column has been deleted to prevent repetitive information in the reporting template. The correct PoE has been made available for audit purposes.  |
| 31 | BTO 5 | 2018/19 outcome claimed is” 2019/20 procurement plan was approved on the 28th of June 2019.” But the electronic evidence submitted is a procurement plan dated 2018/19. | The correct procurement plan to be scanned into POEs file for this target together with proof of submission to finance committee. | The correct PoE will be requested from the relevant department.  |
| 32 | BTO 8 & 9 | Comparison with 2017/18 financial year has been reported incorrectly, there was targets and actuals for these 2 objectives in 2017/18 financial year but now in 2018/19 APR these columns for comparisons has been reported as NA and there is a baseline that is not supported with annual target and annual actual. | The wording that was used in the 2017/18 APR for these objectives should be used in this APR to support and align with the baseline reported. | The baseline column has been deleted to prevent repetitive information in the reporting template. |
| 33 | BTO 9 | The council resolution noting/ adopting the revenue enhancement strategy has not been included in the electronic POE file and also the close out report hasn’t been added in the POE file. | Quarter 4 POE set should be complete and accurate. | The correct PoE will be requested from the relevant department.  |
| 34 | BTO  | The annual budget in the APR does not tie up with the annual budget recorded in the midyear adjusted budget. For example:BTO 12: The annual budget in the adjusted SDBIP was set as operational but in the APR there is R1 810 515.BTO 13: In the APR the column for annual budget was empty whereas on the adjusted SDBIP annual budget was set as R1 810 515. | Annual budget in the APR should be revisited. | This has been corrected in the draft APR template.  |
|  |  | Report to be continued as further information becomes available. E. West 19/8/19 |  |  |