

AUDIT RESPONSE PLAN (BASED ON THE AUDIT REPORT – EXCLUDING THE MANAGEMENT REPORT – RECEIVED FROM THE AUDITOR-GENERAL IN RESPECT OF THE AUDIT OF THE 2017/18 FINANCIAL YEAR OF THE MUNICIPALITY)

(Preparation of this plan was co-ordinated by the internal audit unit on 4/12/18 in terms of KZN Cogta Circular 7 of 2018, dated 21/11/18)

Type of Opinion Current Year (2017/18 AFS) : Unqualified
 Type of Opinion Previous Year (2016/17 AFS) : Unqualified
Type of Opinion Current Year (2017/18 APR) : Qualified
 Type of Opinion Previous Year (2016/17 APR) : Adverse

Report para. no.	Finding	Action planned by management	Responsible official	Completion date
	Report on the audit of the financial statements – unqualified audit 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 2018 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 R25,93 million (2016/17: R29,05m) were incurred as a result of an annual review of the recoverability of receivables.	<ol style="list-style-type: none"> 1. Review of debt collection mechanisms, in particular the existing Credit Control and Debt Collection Policy for 2018/19 for areas of improvements. 2. Development and Implementation of revenue collection plans for traffic fines 3. Handing over of debt accounts to attorneys for legal process, once internal processes of collection have been exhausted. 4. Training and workshop of Revenue Management staff 5. Writing off the irrecoverable debt 	Chief Financial Officer Protection Services Manager Revenue Officer (Debt Collection) Chief Financial	31 January 2019 31 December 2019 28 February 2019 30 April 2019 and Ongoing

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		<p>6. Reviewing and updating the Indigent Register for 2018/2019 to ensure Indigent members of the community are not billed.</p> <p>7. Enforcing customer care framework and policy.</p>	<p>Officer</p> <p>Revenue Officer (Debt Collection)</p> <p>Revenue Officer (Debt Collection Officer)</p> <p>Strategic Support Manager</p>	<p>31 March 2019</p> <p>31 March 2019</p> <p>31 March 2019</p>
8	As disclosed in the statement of comparison of budget and actual amounts, the municipality materially underspent by R14,47 million on general expenses. The underspending is as a result of delays in appointing contractors due to appeals received during the supply chain management process and late receipt of conditional grant funds.	<p>Appeals are beyond the control of the municipality; however, the following will be implemented to reduce areas of contention leading to appeals and fast-track the awarding of tenders:</p> <ul style="list-style-type: none"> • Review of compulsory documents that must be submitted together with the tender documents • Implement and submit procurement plans report to Finance and Executive Committee. 	Supply Chain Management officer	
	Report on the audit of the annual performance report – qualified audit opinion			
20	<p>The material findings in respect of the usefulness and reliability of the selected development priority of basic service-delivery and infrastructure development is as follows:</p> <p>Number of reports on households provided with refuse collection services and landfill site reports - there was no clear and logical link between the indicator “4 reports submitted to PWBS dcommittee on refuse collection and landfill site development and management by 30/6/18” and the strategic objective to which it relates. The indicator and related target focused on the number of reports on households provided</p>	<p>This has been corrected as the 2018/19 SDBIP reflects PWBS 17 indicating the number of households with access to waste collection for all households in the urban areas including indigents. The AG commended the municipality during the audit for using number as a unit of measure instead of a percentage in order to prevent ambiguous reporting. However further consultation with Cogta will be conducted in order to verify whether there is misalignment with the regulation on this particular indicator.</p> <p>The constant number of households between the baseline for 201718</p>	Strategic Support Services Manager	28 February 2019

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	with refuse removal services and landfill site reports, while the strategic objective aimed to achieve the number of households provided with refuse collection services.	and the 2018/19 plan is as a result of the solid waste collection service being provided to the same households in our towns and Low-Cost Housing as there are no infills.		
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.	Noted. The Strategic Support Services Unit will work closely with internal departments in ensuring the credibility of the annual performance information.	Strategic Support Services Manager	On-going
	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.	<p>Misstatements occurred under the following assertions:</p> <ul style="list-style-type: none"> • Property Plant and Equipment • Commitments • Irregular Expenditure • Cash Flow Statement • VAT on Integrated National Electrification Programme <ol style="list-style-type: none"> 1. The position of Asset Officer be filled 2. Monthly reconciliation of the above accounts will continuously be prepared and checked every month. 3. The municipality to engage Eskom on utilisation of INEP VAT or VAT be paid to Eskom or SARS. 4. Quarterly Financial Statements be prepared and be submitted to Internal Audit, Audit Committee and Auditor General. 	<p>Chief Financial Officer</p> <p>Senior Accountant</p> <p>Chief Financial Officer</p>	<p>28 February 2019</p> <p>31 December 2018</p> <p>28 February 2019</p>

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		5. Reconsideration of Irregular, Unauthorised, Fruitless and wasteful Expenditure by Council Committee (MPAC).	Senior Accountant Municipal Manager	31 March 2019 31 January 2019
27	The service delivery and budget implementation plan for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.	This will be corrected during the SDBIP review period. The PMS Unit had already obtained the detailed tables from the BTO containing revenue projections by source of collection and monthly operational and capital expenditure by vote as required by section 1 of the MFMA which would then be included in the Revised 2018/19 SDBIP.	Strategic Support Services Manager	28 February 2019
28	Funds were invested with Stanlib in contravention of municipal investment regulation 6.	This investment was made by previous former municipality and inherited by the DNDZ municipality. The municipality closed the reported account during the 2017/18 financial year; therefore no plan action is required.	Chief Financial Officer	31 December 2019
29	Some quotations were accepted from bidders who did not submit declarations on whether they were employed by the State, or connected to any person employed by the State, as required by SCM regulation 13(c).	The checklist of SCM deviations will be amended to include declaration of interest and other relevant legislative requirement.	SCM Manager	31 December 2018
30	Some of the commodities designated for local content and production were procured from suppliers that did not meet the prescribed minimum threshold for local production and content, as required by Preferential Procurement Regulation 8(5). Similar non-compliance was also reported in the prior year.	The Municipality have conducted training in October 2018 on Local Content through Provincial Treasury and the bid specification checklist will be revised to include MBD 6.2(Declaration certificate for local production and content for designated sectors) with: <ul style="list-style-type: none"> • Annexure C, • Annexure D and Annexure E.	SCM Manager	31 December 2018
	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	Against the background that three of the six departments in the municipality currently have vacant senior management posts the municipality will strive to attend to the aspects highlighted by the AG	MM	Ongoing

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	performance reporting as well as compliance with applicable legislation.			
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.	Against the background that three of the six departments in the municipality currently have vacant senior management posts the municipality will strive to attend to the aspects highlighted by the AG	MM	Ongoing
41	The internal audit unit did not perform a proactive review of the financial statements and annual performance report prior to submitting for auditing as well as review compliance with key legislation applicable to the municipality.	<p>Internal auditor's comments:</p> <p>In relation to the financial statements the internal audit unit had performed the following work:</p> <ul style="list-style-type: none"> • Reviewed and reported on the interim set of AFS produced to 31 March 2018 • Reviewed and reported on the draft full-year 2017/18 AFS received for auditing on 19 August 2018 • Advised CFO on finalisation of the set submitted to the AG on 31 August <p>In relation to the annual performance report the internal audit unit had performed the following work:</p> <ul style="list-style-type: none"> • Detailed review and reports on the four quarters of the 2017/18 performance reporting and supporting portfolios of evidence (this work was used by the AG) • Review and report on the draft APR received for auditing on 19 August 2018 • Advised Strategic Manager on finalisation of the set submitted to the AG on 31 August 2018 <p>The internal audit unit has scrutinised this action plan and has issued comments and recommendations.</p> <p>The internal audit unit will make quarterly follow-ups of the proposed management actions that have been provided in this table and also in the AG's 2017/18 management report.</p>		

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		EW, 20/12/18	Internal Audit Manager Internal Audit Manager	Completed on 20/12/18 Each quarter