



CORPORATE SERVICES REPORT ON AUDITOR GENERAL FINDINGS PRESENTED TO MPAC



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“Success is the sum of
small efforts, repeated
day in and day out”.
Robert Collier



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Overview

For the past ten years, the Matjhabeng Local Municipality has received a negative Audit Outcome being that of a Disclaimer. The challenges that the Corporate Services Division faced, were among others:-

- The Organizational Structure was not reviewed and aligned with the IDP (Last update was done in 2009)
- Shortage of critical skills, mainly in Service Delivery Departments (Artisans, Engineers, Quantity Surveyors, etc.)
- Policies and procedures were not reviewed and aligned with changing legislation;
- Corporate Services Controls were not in place to ensure compliance with policies and procedures (for example, some of the employee Personnel files did not have signed authorization to fill vacancies, employment contracts were not in place in some employee files, Qualification verifications were not done for new employees, signed job descriptions were not in place, etc.)
- Overtime was discharged without putting overtime measures in place, as a result, this contributed in **overtime for the financial year 2015/2016 being around R60,418,451.97**

A fundamental aspect of our approach for the financial year 2016-2017, was to draft an Audit Action Plan to address all identified AG Findings.

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

- There were 20 Prior Year exceptions raised in the Financial Year 2015/2016 by AG.
- **Below is an Audit Action Plan implemented and monitored monthly by Corporate Support Services HR department.**

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 61 (CAF 130)	This Exception indicates that four employees sampled did not pay the rental fees as per lease agreement and the other four (4) were paying incorrect rental amounts. The Limitation financial exposure was R1 976.04 and R92.76 accordingly.	Internal control deficiency	Controls Effected: A Rental Register was put in place for all employees renting Municipal properties and this is now managed by LED and Finance. Tariffs are reviewed annually and employees are accordingly informed of such tariff changes. Those who are behind with payments have signed acknowledgement of debt and deductions are effected in payroll for monthly rentals.
EX 220 (CAF 223)	Rental Register not found to be complete:- Employees renting municipal residential property could not be traced to the rental register. Thus the completeness of the register could not be confirmed		
EX 100 (CAF	Casual workers with no appointment letters/contracts of employment. Moreover, Casual workers were	Misstatements in financial	Controls Effected:- The Human Resources Data base has been created and is accordingly updated monthly. This data base has employee information by name, surname, division, start date, race, gender, it verifies matters like contracts of employment, job descriptions, qualification verifications, certificates, etc. The HR department therefore ensures that no employees are appointed without

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 121 (CAF 47R)	No job descriptions as required by Municipal Systems Act . The following issues were noted from the employee file of newly recruited employee. There was no signed job description by either the employee or the employer; and background and security checks were not performed prior to the hiring of the employee	Internal control deficiency Misstatements in financial statements	Controls Effected:- The Local Municipality has ensured that all new employees have Job descriptions and accordingly sign them. Copies are kept in their personnel files.
EX 5 (CAF 192)	Provision for leave - internal control weaknesses on administration of leave. Employees did not take 10 days consecutive leave: 1. At least 10 consecutive annual leave (i.e. compulsory leave days) days per cycle not taken		Controls Effected:- Leave is reconciled monthly and all employees with excess leave are notified to take leave.
EX 41 (CAF 49R)	Internal control deficiencies with leave transaction. No attendance registers were submitted for audit purposes for employees	Internal control deficiency	Controls Effected:- Attendance registers are collected weekly from divisions and accordingly analysed for correctness. Issues identified from attendance registers are escalated to respective Directors monthly for action.

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 44 (CAF 163R)	No Human Resource plan is place. The human resource plan for the municipality is in a draft format and still awaits council approval.	Internal control deficiency	Controls Effected:- The Human Resources Plan was approved by Council in July 2016.
EX 59 (CAF 43R)	Key vacant positions still not filled. The total vacancy rate of the Municipality was only done and reviewed 30 January 2015.	Internal control deficiency	Controls Effected:- The first version of the organizational structure was presented to Council on the 13 th December 2016. Council resolved to note and refer it back for refinement and further consultation. The revised Organizational Structure was presented to Council on the 31 st May 2017 (refer Council resolution: - A: 82/2017). The Council in its Council sitting on the 30 th August 2017; extended its countenance of the structure and directed that the final leg of the structure should then be the workshop of the Councillors on the structure and the filling of critical positions.
EX 72 (CAF 42R)	Difference identified between the general ledger and Annual Financial Statements amounts. misclassifications were identified	Misstatements in financial statements	Controls Effected:- This pertained to Leave allocation and provision. Leave is analysed monthly and all employees with excess leave are notified. If they still don't take leave, they forfeit according to policy.

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 78 (CAF 16R)	<p>Organisational structure: Not sufficient for the municipality to carry out its responsibilities</p> <p>1. The structure of the municipality was last updated in April 2009.</p> <p>2. The structure does not allow for a sufficient asset division, the structure has posts for the Chief accountant, Senior clerk assets and a verifications clerk. Taking into account the asset base of the municipality, this will not allow for an effective system of internal controls in asset management.</p> <p>3. The infrastructure department does not seem to be effective with infrastructure driving the core functions of the municipality. This is due to there being no infrastructure maintenance plan. Also, in an evaluation done by the AGSA - it was noted that the municipality does not have enough engineers for the infrastructure base of the Matjhabeng Local Municipality.</p> <p>The organisational structure is not updated and reviewed on a continuous basis for management to make knowledgeable decisions with regards to vacancies in the municipality.</p>	Internal control deficiency	<p>Controls Effected: -</p> <p>Refer response on EX. 59. Moreover, The Council resolved in August that critical positions be filled and the vacancy rate will accordingly reduce based on resolution taken.</p>

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 88 (CAF 44R)	Evaluation Panel for performance evaluations not established. The evaluation panel was not established to evaluate the annual performance of the Municipal Manager and section 57 Managers. The same finding was reported in 2012/2013 and 2013/2014 financial years	Non-compliance with legislation	Controls Effected: - This exception is addressed from the Office of the Executive Director Strategic Support. The Corporate Service Division on the other hand has developed the Performance Management policy and it has since been submitted to Council for approval. The roll out of the Performance Management System has been approved by Council and will be implemented in this financial year 2017/2018 in 2 phases.
EX 98 (CAF 45R)	Deficiencies with regard to the recruitment and selection processes. No request for filling of vacancies and the certification by the supervisor for the start date the employee commenced duties was included in the employee file. Qualification for the post appointed could not be verified in the employees personnel file	Internal control deficiency	Controls Effected: - The Human Resources Data base has been created and is accordingly updated monthly to ensure that Recruitment policy is adhered to mainly on new appointments.

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 112 (CAF 27R)	Non-compliance with the BCEA identified with regard to overtime paid. Employees who worked overtime which was not pre-approved	Non-compliance with legislation	Controls Effected: - No overtime is authorized and processed unless authorization forms are in place.
EX 144 (CAF 31R)	Employee files not submitted to verify the transport allowance received. Information request number 73 was issued on the 20/09/2015 due 28/09/2015 for employee personnel files. No supporting documentation was submitted thus it could not be verified whether the employee who are receiving the allowance are authorised and eligible to receive the allowance.	Misstatements in financial statements	Controls Effected:- All AG requests are attended to daily and weekly AG meetings are held to deal with all matters raised.

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 154 (CAF 41)	Limitation of scope. Information request number 85 was issued on 05 October 2015 and no supporting documentation was submitted for the auditing purposes as per below tables.	Misstatements in financial statements	Controls Effected:- All AG requests are attended to daily and a weekly AG meetings are held to deal with all matters raised.
EX 172 (CAF 48)	Employee paid salary after employment contract terminated Mr MP Nteleki, employee number 120696, received a full salary for the period 31 July 2014 until 25/03/2015. His termination was backdated 5/02/2014 the employee last day of work was 05/02/2014. No visible measures as per quoted paragraphs from the absenteeism/desertion policy has been taken to ensure that the salary paid is recovered	Misstatements in financial statements	Controls Effected:- The employee was incarcerated and no notification was provided to the employer. The matter was referred to the Attorney for collection and court proceedings are underway to recover the money.

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 228 (CAF 225)	Consolidated reports on competency levels as required by regulation 14 (2) (a) not submitted. Information request number 106 was issued on 27 October 2015 with a due date of 30 October 2015 and no supporting documentation was submitted.	Internal control deficiency	Controls Effected:- The Minimum Competency and the BTO Reports are submitted monthly to Treasury. Moreover, new MFMP intakes are scheduled in the month of September 2017.
EX 230 (CAF 235)	Key financial and supply chain management competency areas not achieved. Proof could not be obtained that the following financial officials in middle management level achieved the key financial and supply chain management competency areas	Non- compliance with legislation	Controls Effected:- The Budget and Treasury Officials (BTO) are continually attending the MFMP training and monthly reports on progress are obtained from the service provider Solstice.

ISSUES RAISED BY THE AUDITOR GENERAL IN THE FINANCIAL YEAR 2015/2016

FINDING/ EXCEPTION NUMBER	Audit finding	Classification as Per AG Report	Remedial Actions /Action Plan and Controls put in Place
EX 239 (CAF 255)	Performance agreement for Municipal Manager not in terms of section 57 (4A) of Municipal Systems Act. The performance agreement of the municipal manager does not include the general financial management functions as defined in Municipal Finance Management Act paragraph 62(1).	Non-compliance with legislation	Controls Effected:- The Performance Agreement and the Job Description of the Municipal Manager was accordingly rectified to deal with the finding.
EX 181 (CAF 256)	Employees sampled were employed without following the recruitment policy	Internal control deficiency	Controls Effected:- Section 3.2 of the Recruitment policy provides that vacant positions related to the security Investigation areas of the Municipality can be filled without publicising the vacancy. All sampled employees work in ICT on ICT Security matters and they were employed in line with the provision of the Recruitment policy.

Organisational transformation and Key Successes

- The Corporate Services Division has successfully addressed all twenty (20) Auditor General (AG) Findings raised in the financial year 2015/16 and the Local Municipality has obtained an Unqualified Audit Opinion.
- The Local Municipality's Organizational Structure has been reviewed and noted by Council on the month of August. This will enable all critical positions to be filled to improve on Service delivery and reduce the vacancy rate.
- The Human Capital Management Policies, procedures as well as the Collective Agreement have been reviewed, and aligned with applicable legislation such as the Basic Conditions of Employment Act 75 of 1997 as amended, the Labour Relations Act 66 of 1995. These policies are applied fairly and transparently across the Organization.
- The Skills Audit has been conducted, aligned with the Workplace Skills Plan as well as the Human Capital Management Plan. All Training interventions in the current financial year will be aligned with Municipal Strategic imperatives (IDP & SDBIPS) as well as the Budget.
- There is tremendous improvement on Officials who have successfully completed the Minimum Competency (CPMD & MFMP) course. The new MFMP intake is happening in the month of September 2017. This shows that the Local Municipality is hard at work to ensure compliance with Treasury regulations and to enhance productivity across all Level.

Organisational transformation and Key Successes

► PERFORMANCE MANAGEMENT

Currently, the Performance Management System applies only to section 56/57 Managers and the current culture within the Local Municipality is that of non-performance, poor service delivery, and lack of accountability.

To curb the current poor service delivery and to inculcate a performing culture within the Local Municipality, a Performance Management System will be rolled out across all Divisions in the current financial year 2017/2018. The policy on Performance Management has already been presented to Council in December 2016 and the implementation will be done in consultation with all relevant Stakeholders. The Job Evaluation Training has also been implemented and roll out will take place in the year under review

Conclusion

- Evan Esar says in Conclusion

“Success is the good fortune that comes from aspiration, desperation, perspiration and inspiration”.

Interventions to Sustain the Audit Outcome for the Financial Year 2016/2017:

1. There is weekly Corporate Services meetings with Managers to get feedback on Corporate Services Interventions on the Audit Action Plan (successes and challenges).
2. Weekly Audit Steering Committee Meetings are attended to ensure that all issues raised by AG and feedback from Line Management on Audit Action plan as well as HR related issues are attended to.