

**ACTION PLAN ON AUDITOR GENERAL FINDINGS FOR THE YEAR ENDED 30 JUNE 2017**

**“ The City of Heritage “**



	REPORT FINDINGS	Management Comment/ Root cause	PROPOSED ACTION PLAN TO BE IMPLEMENTED	RESPONSIBLE PERSON	TARGET DATE	CURRENT STATUS/ PROGRESS	Internal Audit Comments
10.	<p><b>Material losses - electricity-</b> As disclosed in note 37 to the financial statements, material electricity distribution losses of R15,21 million (2015-16: R28,02 million) were incurred during the year, which represents 21% (2015-16: 33%) of total electricity purchased. Technical losses amounted to R8,69 million (2015-16: R10,19 million) and were due to transmission/ distribution losses. Non-technical losses amounted to R6,52 million (2015-16: R17,83 million) and were due to illegal connections and inaccurate metering equipment.</p>	Faulty meters that have been by-passed by the municipality and <u>tempered meters.</u>	Replace all faulty prepaid meters and install new ones where the electricity has been by-passed	Director : Technical Services	30/04/2018	New 5000 meters has been installed and the remaining 4000 meters still to be replaced.	
		Electricity Billing errors	Regular meter auditing.	Director : Technical Services	Monthly	Service provider has been appointed and reports on a monthly basis	
		Miscellaneous tariffs (Meter testing)	Municipality to continue with disconnection of illegal connection	Director : Technical Services	Daily	The Municipality has engaged with the attorneys and there is engagement between Eskom and Attorneys	
		Illegal vending by Ideal prepaid	New SG codes to be programmed in the old meters	Director : Technical Services	28/02/2018	Old meters are not programmed	
			Recovering of loss quantified to R65 million through legal means	Legal Services	30/06/2018	Illegal sale of electricity by Ideal Prepaid is still taking place	
			Municipality to engage Attorneys to disable SG codes failing which municipality to engage attorneys for Court order	MM	Tentative	n/a	
			To engage community members on illegal vending (awareness campaign)	Corporate Services	28/02/2018	Not started	
			Continuously analyze Contour reports to identify the customers that do not buy electricity	Director : Technical Services	Monthly	Only one official is responsible for this function	
Transferring of the function from Finance to Technical Services and increasing the capacity	Director : Technical Services & CFO	31/01/2018	Function wrongly placed and incapacitated				
Training of staff members on the use of Contour System	Director : Technical Services & CFO	28/02/2018	Under capacitated				
6.	Material uncertainty relating to going concern	This accelerated by the Eskom debt which increases month by month as the payment is not agreed to by Eskom.	In order to reduce Eskom debt the following actions needs to be undertaken:	Director : Technical Services	30/04/2018	In progress	

The remaining plus minus 4000 faulty Pre-paid meters to be replaced.	Director : Technical Services	28/02/2018	In progress	
Ensure that Ideal pre-paid cannot vend on behalf of Ulundi.	Director : Technical Services	30/01/2018	In progress	
Change max demand meter programs to ensure timeous billing.	Director : Technical Services	15/01/2018 - ongoing	In progress	
Ensure all miscellaneous tariffs are levied when required.	Director : Technical Services	15/01/2018 - ongoing	Ongoing	
Ensure Power cuts on defaulters are done – disconnection lists from finance	Director : Technical Services	On-going	In progress	
Levy fixed rate where no meters still exist	Ward Cllrs	30/01/2018	Not started	
Political awareness initiative on power theft	Ward Cllrs	30/01/2018	Not started	
Political awareness on the ideal metering. People must report their meter system if Ideal smart meter	Director : Technical Services	30/03/2018	Not started	
Implement a effective cost of supply tariff study	Director : Technical Services	30/01/2018	Not started	
One Contractor to perform meter audits of all customers and generate disconnection lists. Another contractor to do disconnections and reconnections.	Director : Technical Services	30/08/2018	The arrangement is ineffective	
Establishment of a Solar Farm	Director : Technical	30/06/2018	Council resolved and ongoing	
Change all streetlights to energy saving streetlights	Director : Technical Services	30/06/2018	Council resolved and ongoing	
Inability to convert all traffic fines to cash	Investigate best practices	Manager: Traffic Law Enforcement	28/02/2018	Not Started
	Only the Manager: Traffic Law Enforcement authorize cancellation of deserving tickets	Manager: Traffic Law Enforcement	Monthly	Irregular cancellation of traffic fines
	Submission Reports of cancelled tickets to the Municipal Manager	Director: Protection Services	Monthly	n/a
	Cancel tickets that are older than 2 years	Director: Protection Services	30/03/2018	n/a

	Engage a Debt Collection Agency to collect outstanding Traffic Fines	MM	31/04/2018	n/a	
Inability to collect all outstanding debts (rates and services)	Explore outsourcing the collection of outstanding Rates and services	CFO	31/01/2018	Debtor's book is sitting a R102 million	
	Write-off irrecoverable debts	CFO	31/03/2018	Debtor's Book contains irrecoverable debt	
	Revisit the Revenue Enhancement Strategy	CFO	30/01/2018	Revenue Enhancement Strategy not effective	
	Device other means to make it possible to pay (debit orders EFT etc.)	CFO	30/03/2018	Mainly rely in walk-in customers	
	Cancellation of refuse accounts for business tenants and opening of accounts and billing of landlords	CFO	30/03/2018	Tenants still holds accounts	
Inability to fully cleanse debtors book	Maximum utilization of MSIG in-kind	CFO	31/04/2018	Service provider has been appointed	
Inability to collect rentals (informal traders)	Non-Renewal of Lease Agreements with tenants who are not compliant	CFO	31/01/2018	Communication has been done with affected tenants	
Abuse of municipal vehicles	Centralization of municipal vehicles	Tech. Serv.	30/01/2018	The system is de-centralised	
	Utilization Tracking system	Tech. Serv.	30/03/2018	System is not fully utilised	
Abuse of telephones	Undertake the needs analysis and re-application for new telephone codes	Corporate Services	31/01/2018	n/a	
	Submission of monthly telephone Usage Register by Users on the 5 <sup>th</sup> of each month	Corporate Services	Monthly	n/a	
Shortage of resources (books, vehicles, equipment, training)	Timeous purchase of Summons Books	Protection Services & CFO	Monthly	Currently out of stock	
Rejected fines by the court	Training of Traffic Officers	Protection Services & Corporate Services	30/06/2018	Non-compliant with rules of issuing fines	
Abuse of overtime and stand-by allowance	Reduction of employees who are paid overtime.	Corp Services	28/02/2018	Overtime has been capped at R2500.	
	Review and enforcement of overtime policy	Corp Services	28/02/2018	Lack of adherence to policy	
	SALGA guideline on stand-by to be strictly enforced	Corp Services	28/02/2018	Lack of adherence to policy	
Penalties emanating from interest	Timeous payment of creditors	CFO	Monthly		

23. - 25 .	<b>Various indicators- indicators are not well defined and measurable</b>	Various planned indicators were not clearly defined, as required by the Framework for Managing Programme Performance Information, 2007.	Review of all indicators to meet the "SMART PRINCIPLE" as required by the Framework for Managing Programme Performance Information, 2007.	PMS	31/01/2018	The PMS Unit is currently going through all set indicators to ensure that "SMART PRINCIPLE" as required by the Framework for Managing Programme Performance Information, 2007. Copies of Departmental Scorecards were forwarded to the Auditor-General for review to ensure full compliance.	
26.	<b>The evidence for the achievement of the planned indicators were not clearly defined, as required by the Framework for Managing Programme Performance Information, 2007</b>	The Framework for Ulundi Municipality's Organizational Performance Management System does contain the processes for the management and operation of the system; roles and responsibilities of stakeholders; reporting, its frequency and lines of accountability; composite report programme; and mechanisms, systems and processes for the monitoring, measurement, and review of key performance indicators. The Framework is lacking in terms of definitions and technical standards of all the information to be collected by the municipality and the process that will be followed for identifying, collecting, collating, verifying and storing, the use of information in managing results.	Review the OPMS Policy.	PMS	30/03/2018	The PMS Unit is currently going through all set indicators to ensure that "SMART PRINCIPLE" as required by the Framework for Managing Programme Performance Information, 2007. Copies of Departmental Scorecards were forwarded to the Auditor-General for review to ensure full compliance.	
33.	<b>Strategic planning and performance management</b> - The performance management system and related controls were inadequate as it did not describe how the performance planning, measurement and reporting processes should be conducted, organized and managed, as required by section 7(1) of Municipal Planning and Performance Management Regulation, 2001.	The Framework for Ulundi Municipality's Organizational Performance Management System does contain the processes for the management and operation of the system; roles and responsibilities of stakeholders; reporting, it's frequency and lines of accountability; composite report programme; and mechanisms, systems and processes for the monitoring, measurement, and review of key performance indicators	Review the OPMS Policy.	PMS	30/03/2018		

36.	<b>Human resource management:</b> Appropriate systems and procedures to monitor, measure and evaluate performance of staff below the level of senior management, were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).	The appropriate procedures to monitor, measure and evaluate performance of staff below the level of senior management were not developed and adopted by Council since the municipality was awaiting COGTA and SALGA to workshop the Framework on cascading of performance Management to the lower levels.	Development of appropriate procedures to monitor, measure and evaluate performance of staff below senior management.	PMS	30/03/2018	The Managers below Senior Management have signed performance plans and One-on-one sessions will be conducted by Heads of Department to monitor, measure and evaluate performance within their departments.	
34.	<b>Procurement and contract management:</b> In five instances, goods and services of a transaction value above R200 000.00 were procured without inviting competitive bids, as required by the Municipal Supply Chain Management Regulation.	The Contracts has been entered into which then can attract the litigations thus resolving that the projects be completed then all procurements after that be in line with SCM Regulation	The Municipality has resolved not to utilize SCM Regulation 32 and follow the normal BID process as detailed in the regulation.	CFO	31/07/2018	The Municipality has adhered the resolution and is currently following the BID process	
35.	<b>Procurement and contract management:</b> In five instances, construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) and did not qualify for the contract, in accordance with section 18(1) of the CIDB Act, 2000 (Act No. 38 of 2000).	Management must ensures that the contractors are registered on the CIDB for all the construction contracts during the evaluation of the contracts and should disqualify the contractors who do not meet CIDB requirements.	The Municipality has resolved not to utilize SCM Regulation 32 and follow the normal BID process as detailed in the regulation.	CFO	31/07/2018	The Municipality has adhered the resolution and is currently following the BID process	
37.	<b>Expenditure management:</b> Money owed by the municipality was not always paid within 30 days, as required by Section 65(2) (e) of the MFMA.	Municipality incurred the interest through the outstanding debt attributable to Eskom which the Municipality is in the process of entering into a revised payment plan which the interest will not be incurred once the debt is fully paid up	Engage with Eskom to agree on an affordable payment plan which will not attract exorbitant interest upon default	All	Ongoing	Payment plan has been communicated to Eskom who in turn declined the payment duration which prompted the Municipality to seek further engagements and intervention of National CoGTA and Treasury	
38.	<b>Expenditure management:</b> Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R6,73 million, as disclosed in note 33,2 to the financial statements, in contravention of Section 62(1) (d) of the MFMA. The majority of the expenditure was due to penalty Interest incurred due to late payment of accounts.	Municipality incurred the interest through the outstanding debt attributable to Eskom which the Municipality is in the process of entering into a revised payment plan which the interest will not be incurred once the debt is fully paid up	Engage with Eskom to agree on an affordable payment plan which will not attract exorbitant interest upon default	All	Ongoing	Payment plan has been communicated to Eskom who in turn declined the payment duration which prompted the Municipality to seek further engagements and intervention of National CoGTA and Treasury	

39.	<b>Expenditure management:</b> Effective steps were not taken to prevent irregular expenditure amounting to R12,44 million as disclosed in note 33,3 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by Competitive bidding processes not being followed in awarding of contracts.	This arose through differences in the interpretation of SCM Regulation 32	The Municipality has resolved not to utilize SCM Regulation 32 and follow the normal BID processes as detailed in the regulation.	CFO	31/07/2018	The Municipality has adhered the resolution and is currently following the BID process	
40.	<b>Consequence management:</b> Irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by Section 32(2) (a) and (b) of the MFMA.	Council approved the establishment of Loss Control Committee which investigates all matters of this nature and further issue recommendations accordingly	MPAC to investigate and report to council where upon council's satisfaction of its mandates the MM to seek condonation from National Treasury. Individual line item will be separately investigated	CFO	31/05/2018	Meeting dates has been set	

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