

Report of the auditor-general to Limpopo Provincial Legislature and the council of Ba-Phalaborwa Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Ba-Phalaborwa Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Ba-Phalaborwa Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practices (GRAP) and the requirements of Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (DoRA).

Basis for qualified opinion

Cash and cash equivalent

3. I was unable to obtain sufficient and appropriate audit evidence for cash and cash equivalents as the bank reconciliations were not prepared to reconcile the differences between the bank confirmation as at 30 June 2022 and the underlying records. I was unable to confirm cash and cash equivalent by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the cash and cash equivalent to the value of R68 026 572 (2021: R69 319 706) in note 11 to the financial statements.

Receivables from non-exchange transactions and consumer debtors

4. The municipality did not calculate the allowance for impairment on receivables from non-exchange transactions and consumer debtors in accordance with the Standards of GRAP 104, *Financial Instruments*. The municipality calculated the allowance as the difference between the carrying amount of debtors and present value of discounted carrying amounts instead of the estimated future cash flows. Consequently, I was unable to determine the value of the misstatement on receivables and consumer debtors and the allowances for impairment as it was impracticable to do so. There was a resultant impact on the surplus for the period and on the accumulated surplus.

Consumer debtor - service charges

5. The municipality did not implement internal controls over the billing of service charges. The municipality billed municipal properties with service charges resulting in overstatement of consumer debtors by R63 441 482. Consequently, service charges is overstated by R13 051 842 and accumulated surplus for the year overstated by R50 389 640. Additionally, there was an impact on the deficit for the period

Revaluation reserves

6. The municipality did not recognise the value of the illegally occupied municipal land in the reserve, as required by IGRAP 18, *Recognition and derecognition of Land*. Land has been impaired in the prior years in the underlying asset register and that was not recognised for the revaluation reserve. This resulted in revaluation reserve being overstated by R24 653 138 and accumulated surplus understated by the same amount.

General expenses – consumables

7. I was unable to obtain sufficient appropriate audit evidence for consumables of R11 936 166 included in general expenses due to a lack of proper record keeping. I was unable to confirm these consumables by alternative means. Consequently, I was unable to determine whether any further adjustment to consumables stated at R29 760 622 in note 42 to the financial statements was necessary.

Contingencies

8. The municipality did not assess the best estimate of the liability in terms of GRAP 19, *Provisions, Contingent liabilities and Contingent assets*. The municipality valued contingencies based on claims received. I was unable to determine the impact on the current and prior year contingencies stated at R21 584 247 (2021: R22 685 008) in note 46 to the financial statements, as it was impracticable to do so.

Payables from exchange transactions

9. The municipality did not recognise an accrual as a liability in terms of GRAP 19, *Provisions, Contingent liabilities and Contingent assets*. Goods and services have been received in the current year but not yet invoiced. This resulted in accruals and general expenses being understated by R13 739 841. Additionally, there was an impact on the surplus for the period.
10. I was unable to obtain sufficient appropriate audit evidence for unallocated deposits received included in payables from exchange transactions, due to the non-submission of underlying records and supporting evidence. I was unable to confirm this payable by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unallocated deposits received stated at R68 761 925 (2021: R33 227 120) in note 14 to the financial statements.
11. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding amounts for payables from exchange transactions, namely trade payables, sundry creditors and payroll accruals. As described in note 48, the restatement amounting to R21 229 721 was made to rectify a previous year misstatement, but the restatement could not

be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the payables from exchange transactions corresponding figure stated at R595 049 379 in the financial statements.

12. Payables from exchange transactions was materially misstated by R2 366 946 due to the cumulative effect of an individually immaterial uncorrected misstatement in trade payables. In addition, I was unable to obtain sufficient and appropriate audit evidence and to confirm the payroll accruals and sundry payables by alternative means:

- Payroll accruals of R5 371 017 as included in the disclosed balance of R5 076 774.
- Sundry payables of R3 142 7433 as included in the disclosed balance of R3 214 462.

Consequently, I was unable to determine whether further adjustment was necessary to payables from exchange transactions.

Total revenue and expenditure

13. Total revenue and expenditure were materially misstated by R2 431 520 and R3 320 725, respectively, due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Service charges stated at R123 585 004 was overstated by R1 150 196.
- Interest income stated at R13 766 025 was understated by R3 581 716.
- Depreciation and amortisation stated at R72 475 714 was understated by R3 320 725.

In addition I was unable to obtain sufficient appropriate audit evidence and to confirm total revenue and expenditure by alternative means:

- Interest income of R4 295 584 as included in the disclosed balance of R13 766 025.
- Employee costs of R1 989 179 as included in the disclosed amount of R168 415 875.

Contracted services: Outsourced services – Traffic fines management

14. The municipality did not recognise its percentage of monies received for licenses on behalf of the principal in terms of the agreement. The municipality recognised the total amount paid to the principal as contracted services instead to recognise the percentage allowable as revenue. Contracted services and revenue – licenses and permits were overstated by R19 296 745. Additionally, there was an impact on the surplus for the period.

Cash Flow Statement

15. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required by GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was unable to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from

operating activities as stated as R55 979 388 (2021: R75 030 501) in the financial statements were necessary. This has an impact on the cash and cash equivalents at the end of the year.

Context for the opinion

16. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
17. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
18. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

19. I draw attention to the matter below. My opinion is not modified in respect of this matters.

Restatement of corresponding figures

20. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2022.

Other matter

21. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

22. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement in note 56 to the financial statements did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

24. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

25. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

26. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

27. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

28. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

29. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance area presented in the municipality's annual performance report for the year ended 30 June 2022:

| Key performance area (KPA) | Pages in the annual performance report |
|-------------------------------|--|
| KPA 2: Basic service delivery | x – x |

30. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

31. The material findings on the usefulness and reliability of the performance information of the selected key performance area are as follows:

KPA 2 - Basic Service Delivery

Indicator: Number of rural villages with access to basic waste removal services (Mashiimale & Makhushane) by 30/06/2022

32. The target of zero per the approved service delivery and budget implementation plan was changed without the necessary approval

Various indicators

33. The achievement reported in the annual performance report materially differed from the supporting evidence for the indicators listed below:

| Indicator description | Reported achievement |
|--|----------------------|
| Number of indigent HH receiving free basic electricity by 30/06/2022 | 421 |
| Number of indigent households receiving free basic waste removal service by 30/06/2022 | 252 |

Indicator: Number of urban households with access to basic waste removal services (Phalaborwa town, Gravelotte, Namakgale and Lulekani) by 30/06/2022

34. The achievement of 12 590 was reported against the target of 12 605 in the annual performance report for the indicator. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements:

Other matters

35. I draw attention to the matters below.

Achievement of planned targets

36. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the

material findings on the usefulness and reliability of the reported performance information in paragraphs X to X of this report.

Adjustment of material misstatements

37. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of key performance area of basic service delivery. 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.

Report on the audit of compliance with legislation

Introduction and scope

38. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

39. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, annual performance report and annual report

40. 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, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Strategic planning and performance management

41. The performance management and related controls were inadequate as it did not function how the performance monitoring, review and reporting processes should be managed, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

42. The invitation to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the provision of consultancy services and electrification of 500 units (houses) at Sebera Village, ward 2, provision of consultancy services and electrification of 300 units (houses) at Garden view village, ward 2 and provision of consultancy services and electrification of 314 units (houses) at Majeje /Hector Village, ward 3/15 turnkey project

43. Awards were made to providers whose directors were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44

Expenditure management

44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

45. Reasonable steps were not taken to prevent irregular expenditure amounting to R40 549 188 as disclosed in note 53 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management regulations.

Revenue Management

46. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

47. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Other information

48. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.

49. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

50. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

51. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I will be required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

Internal control deficiencies

52. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective

was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

53. There is a slow response from senior management to improve the internal controls, prepare and submit credible financial statements and performance report.
54. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall processes of reporting on predetermined objectives.
55. Senior management did not adequately oversee the operations of the municipality, as the financial statements and annual performance report contained material misstatements not detected by the municipality's own system of internal control.
56. Proper record keeping was not implemented to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.
57. Controls over daily and monthly processing, following up and reconciling of transactions were inadequate. Control accounts are not reconciled and monthly bank reconciliations not performed. Differences between the underlying records and the financial statement items had a detrimental impact on the outcome of the audit.
58. Internal controls for monitoring compliance with legislation were ineffective as it did not detect and prevent instances of non-compliance with legislation.
59. Risks were not sufficiently mitigated to address institutional challenges at the municipality as evidenced by audit matters identified during the prior year's audit process.

Material irregularities

60. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularity in progress

61. I identified a material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in the next year's auditor's report.

Other reports

62. I draw attention to the following engagement conducted which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

63. The South African Police Service's Serious Corruption Investigation Unit is investigating allegations of fraud, corruption and theft at the municipality. The investigation was on-going at the date of the audit report.

Auditor General

Polokwane

30 November 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance area and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

64. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

65. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
66. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

REPORT OF THE AUDIT COMMITTEE

TO THE MAYOR, EXECUTIVE COMMITTEE AND COUNCIL OF BA-PHALABORWA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2021

The Audit Committee is pleased to present our report for the financial year ended 30 June 2022.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee (AC) was established in terms of section 166 of the Municipal Finance Management Act (MFMA). Section 166 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA), as amended, requires a municipality to establish an independent audit committee which must advise the municipal council, political office-bearers, accounting officer and management on matters relating to internal financial controls and internal audits, risk management, and accounting policies; as well as provide advice on the adequacy, reliability and accuracy of financial reporting and information within the municipality. In addition, the committee advises on performance management, risk management, effective governance, compliance with the MFMA, the annual Division of Revenue Act, and any other applicable legislation and performance evaluation.

The Audit Committee was able to meet fifteen (15) times during the financial year under review as per the approved terms of reference. The meetings included the 11 special and 4 normal Audit Committee meetings. The Chief Audit Executive is the permanent invitees to the Audit Committee and has unrestricted access to bring any matter within the scope and responsibility of the Internal Audit Activity to the attention of the committee.

The previous audit committee contract ended on the 31 July 2021 and the current Audit Committee was appointed in August 2021 for 3 years. The members of the audit committee were all independent from the Municipality. The Audit Committee was appointed in August 2021 for a period of three years.

Below is the summary of tenure, qualifications, and meeting attendances of the members:

| NAME OF THE MEMBER | QUALIFICATIONS | NUMBER OF MEETINGS ATTENDED | TENURE PERIOD (1) | TENURE PERIOD (2) |
|--|---|-----------------------------|-----------------------------|-----------------------------|
| Mr. Modipane TC CA(SA) (Chairperson) | Bachelor of Commerce in Accounting / Honours Bachelor of Commerce (CTA) / Higher Diploma in Auditing / Chartered Accountant registered with SAICA - CA(SA) / Certificate in Business Development Systems / SAICA GRAP Certificate | 14 (100%) | August 2021 to July 2024 | |
| Mr. Ngobeni SAB*/** (Member) | Master of Commerce in Taxation / Master in Business Administration / Honours Bachelor of Accounting Science / Bachelor of Commerce | 14 (93%) | July 2018 to July 2021 | August 2021 to July 2024 |

| | | | | |
|---|---|-------------|--------------------------|--------------------------|
| | Accounting / Higher Diploma in Computer Auditing / Registered Government Auditor South African Tax Professional | | | |
| Mr. Simelane SP (Member) | Bachelor of Commerce in Accounting/ Honours Bachelor of Commerce in Accounting / Chartered Accountant registered with SAICA | 12 (86%) | August 2021 to July 2024 | |
| Adv. Nevondwe LT (Member) | Masters of Laws (LLM) in Human Rights Law / Bachelor of Laws (LLB) / Certificate of Advocate | 14 (93%) | July 2018 to July 2021 | August 2021 to July 2024 |
| Mr. Ravhudzulo KP (Previous Chairperson)* | Honours Bachelor of Accounting Science / Postgraduate Diploma in Accounting / Bachelor of Commerce in Accounting (CUM-LAUDE) / Registered Auditor / Chartered Accountant registered with SAICA – CA(SA) | 1 (100%) | July 2015 to July 2018 | July 2018 to July 2021 |
| Ms. Mangoma APC (Previous Member)* | Honours Bachelor of Commerce in Auditing / Bachelor of Accounting Science / Master of Philosophy in Accounting Science (in progress) | 1 (100%) | July 2015 to July 2018 | July 2018 to July 2021 |

* During the year Mr KP Ravhudzulo and Ms APC Mangoma second term ended (contract ended 31 July 2021), Mr SAB Ngobeni and Adv. LT Nevondwe were reappointed for the second term.

**Mr SAB Ngobeni resigned as a member of the Audit Committee in July 2022.

Four committee meetings and eleven special committee meetings were held during the year. The eleven special meetings were for the purposes of:

- Unaudited Draft Annual Financial Statements (before submission to the AGSA)
- AGSA 2020/21 Audit Strategy
- AGSA 2020/21 Audit Report
- AGSA 2020/21 Audit Action
- Mid-Year Budget and Performance Report
- Unaudited Draft Annual Performance Report
- 2021/22 Budget Adjustment
- Draft Annual Report
- 2022/23 Internal Audit Plan
- 2022/23 Draft Budget

The Audit Committee meeting agendas are comprehensive and require diligent preparation by the committee members, and all members participate in the meetings with the highest levels of professionalism, commitment, integrity and objectivity. The AC meetings are attended by:

- Municipal Manager
- All Senior Managers;
- Other officials (as and when required);

- Chief Audit Executive, Manager Internal Audit and relevant staff;
- Limpopo Provincial Treasury;
- CoGHSTA; and
- AGSA.

AUDIT COMMITTEE RESPONSIBILITY

The audit committee confirms that it has complied with its responsibilities arising from section 166 of Municipal Finance Management Act, 2003, (Act 56 of 2003), section 79 of Municipal Structures Act 117, 1998 (Act 117 of 1998) and paragraph 14 (2)(a) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 and the King IV Report on the Best Practices on Corporate Governance for South Africa. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, and regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

The systems of internal controls applied by the Municipality over financial and risk management have slightly improved. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls of the Municipality have been fairly designed, however they are not fully efficient and effective. This is as a result of failure to identify control weaknesses and non-implementation of recommended enhancements to the controls and processes.

From the Audit Report of the Auditor-General South Africa on the annual financial statements of the municipality, the Municipality received a qualified audit opinion for the year under review which is the same opinion as compared to prior year. Management did not fully resolve findings raised by Internal Audit and Auditor General in the year under review. We recommended that management should develop and implement an action plan to address all the findings raised by the Auditor General and Internal Audit in order to strengthen the efficiency and effectiveness of the systems of internal controls over financial reporting.

We draw attention to the following areas flowing from the committee's observations and internal audit findings reported during the year:

- (a) lack of segregation of duties;
- (b) vacant strategic management positions;
- (c) the continuing resource and capacity constraints resulting in skills and performance limitations;
- (d) lack of supporting evidence as a result of poor records management processes;
- (e) lack of sufficient management review and supervisory checks; and
- (f) delayed performance management and monitoring processes.

The areas highlighted above require the necessary management attention, as the first line of defence in combined assurance, it is critical to emphasise that these are serious enough to negatively impact the audit opinion.

REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

- Management submitted draft Annual Financial Statements to the Audit Committee which were incomplete at the time of review. This limited the oversight responsibility of the Audit Committee

on the Annual Financial Statement before submission to the Auditor General.

- The Audit Committee reviewed the audited annual financial statements to be included in the annual report.
- The Audit Committee reviewed the Municipality compliance with legal and regulatory provisions.
- The Audit Committee reviewed the Auditor General's management report and audit report.
- The Audit Committee reviewed significant adjustments resulting from the audit.

INTERNAL AUDIT

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Municipality and its audits. Internal audit performed the audit of internal controls of the Municipality. The Audit Committee noted some improvement in the effectiveness of the internal controls during the financial year. This is a positive reflection on the quality of work produced by Internal Audit and on management's commitment to quality and good governance. The Committee has noted that there is a need to improve monitoring, oversight and implementation by Management in managing internal controls.

RESOLVING INTERNAL CONTROL FINDINGS

Internal Audit conducted follow-up audit on internal audit findings issued previously to management. The implementation is at 70% implemented, 30% is not implemented. We are of the view that there is a need for more efforts from management to resolve the 30% not yet implemented. That management should implement recommendations as outlined and agreed to in the audit reports and Internal Audit Action Plan.

INTERNAL AUDIT EFFECTIVENESS

The Internal Audit activities are carried out by an in-house department operating in terms of an Internal Audit Charter and an annually approved audit plan. There has been no compromise of the independence or objectivity of the function during the year under review.

The Chief Audit Executive (CAE) reports functionally to the committee and administratively to the Municipal Manager with unfettered access to the Mayor. We are concerned about the excessive use of Internal Audit resources to co-ordinate activities of council governance structures. We recommend to the Accounting Officer to delegate this responsibility to a capable support staff or official in the municipality. This will ensure that independence of the Internal Audit function is maintained and will also free up the internal audit resource solely for internal audit function.

The external quality assessment of Internal Audit was planned to take place in the 2021/22 financial year. However, due to supply chain challenges the appointment of the service provider could not take place as planned. This assessment exercise will provide some assurance on whether Internal Audit processes and procedures "Generally Conforms" to the Institute of Internal Auditors (IIA) Core Principles for the Professional Practice of Internal Auditing, Standards and Code of Ethics, and that it conforms to its internal audit activity policies, procedures, practices and applicable legislative and regulatory requirements. The Audit Committee will monitor progress on the appointment of the service provider who will conduct the external assessment and report the outcome of the assessment with its recommendations to Council.

COMBINED ASSURANCE

The responsibility for coordinating combined assurance rests with Internal Audit and the Combined Assurance Forum. Combined assurance framework improvements and advancements are under way. The implementation and integration of combined assurance remains work in progress and the Audit Committee regularly reviews developments in this area as part of its annual work plan.

RISK MANAGEMENT

The Audit Committee is satisfied that risk management is continually improving within the Municipality. However, management needs to ensure that there is improved co-ordination between risk management and strategic planning functions, so that resources can be allocated in an optimal manner to address the top risks of the Municipality.

PRE-DETERMINED OBJECTIVES

The Audit Committee is satisfied that preparation and reporting on pre-determined objectives of the Municipality is improving, however there must be improvements in submission of the Annual Performance Report and performance information to the Audit Committee and Internal Audit for adequate review. It was recommended that continuous training should be provided to the Performance Management System Officers and senior management.

QUALITY OF IN-YEAR REPORTING

Management was able to table all quarterly financial reports and performance reports for the financial year 2021/22. However, management failed to prepare quarterly financial statements as advised by the Committee. This limited the review of the Audit Committee. The Audit Committee continues to advise management to prepare quarterly financial statements in the coming financial year to allow adequate review by all relevant stakeholders. The Audit Committee also advised Internal Audit to do a detailed review on the implementation of the financial system.

ICT GOVERNANCE

The Audit Committee reviewed reports from ICT Steering Committee in the year under review. Internal Audit and Auditor General findings relating to ICT were not fully implemented and this is due to poor ICT Infrastructure, lack of capacity in the IT department and financial constraints. The Audit Committee previously advised the Accounting Officer to appoint a qualified ICT Steering Committee Chairperson who will help capacitate the unit and improve controls thereof.

AUDITOR-GENERAL OF SOUTH AFRICA

The Audit Committee in consultation with management, agreed to the terms of the engagement and approved the Audit Strategy. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues. The committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa. The auditors remained independent throughout the financial year.

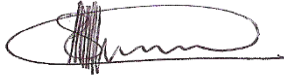
REPORTING

The Audit Committee tabled all its quarterly reports to the Municipality Council, reporting on matters attended to during the relevant quarter.

APPRECIATION

The Audit Committee wishes to thank Municipality Council, management and the staff for their continued commitment to improve effective control environment and good governance

of Municipality. Our appreciation is also extended to the team from the Auditor-General South Africa for the independent value that they continue to add to the Municipality.

A handwritten signature in black ink, appearing to read 'TC Modipane', written over a horizontal line.

Mr TC Modipane CA(SA)
Audit Committee Chairperson
Ba-Phalaborwa Municipality



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

Introduction

The Municipality received a Qualified Audit Opinion in the 2021/2022 audit. The opinion was due to audit findings in term of the following:

- ✓ Cash and cash equivalents
- ✓ Receivables from exchange transactions and consumer debtors
- ✓ Consumer Debtors – Service Charges
- ✓ Revaluation Reserve
- ✓ General Expenses – consumables
- ✓ Contingencies
- ✓ Payables from exchange transactions
- ✓ Total Revenue and Expenditures
- ✓ Contracted Services – Traffic Fines Management
- ✓ Cash flow

Management developed an action plan to address these findings and the action plan was shared with SALGA Limpopo, COGHSTA and LPT for inputs. The action plan was tabled in the management meeting on the **10th January 2023** for development and approval. The Internal Audit Unit reviewed the action plan and after management attended to issues raised, the action plan was tabled in the audit committee sitting on the **13th January 2023**. The Auditor General was invited to the Audit Committee meeting for clarity on findings raised. The Action Plan was for the 1st time done on the National Treasury website and is readily available. Attached is the detailed Audit Action Plan.

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| Reference | Finding | Finding Details | Root Cause | No. of Years Repeated | Responsible Person | Due Date | Action Plan | Implementation Status | Completed Date | Completed Comments | IA Review Comments |
|---------------|---|---|--|-----------------------|--|-------------|---|-----------------------|----------------|--------------------|---|
| AAP16743-2023 | Revenue from service charges – Water services | <p>BPM did not comply with the contractual agreement and MFMA legislation. The BPM did not bill customers for the water services rendered on a monthly basis as required, only charging customers based on actual readings as the billing system is not configured to bill estimated consumption. The BPM also did not make reasonable estimates on the accounts that was not billed.</p> <p>We identified a significant number of customers within BPM whose water consumption was not billed on the BPM's billing system for various periods throughout the 2020-21 financial year ranging from 1 to 12 months. Findings identified can be further explained as follows:</p> <p>12 months of non-billing - We have also identified that the BPM and</p> | <ol style="list-style-type: none"> 1. CCG Sage system doesn't bill estimate consumption and furthermore most customer meters are either faulty or bypassed hence the consumption is zero. 2. Access to premises for meter readings denied. 3. Incorrect tariffs were utilized 4. BPM methodology not aligned to MDM methodology. | 0 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 31-Mar-2023 | <ol style="list-style-type: none"> 1. CCG to design a system that will be able to capture estimates on billing Engage with CCG system on consumption estimates functionality. 2. Align the Ba-Phalaborwa Municipality methodology to Mopani District Municipality methodology. 3. Do estimates outside the system monthly and post them into the financial system. 4. Through the review ensure the correct tariffs are utilized. | In Progress | | Not yet completed | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | MDM used the incorrect tariffs when calculating the estimated average usage costs on accounts that were not billed for 12 months, as the 2019-20 average tariffs were used instead of 2020-21 tariffs. | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--|--|--|---|---|-------------|--|-----------------|--|---|
| AAP16752-2023 | Expenditure – Indigent electricity fund paid/likely to be paid to non-qualifying customers | Through Computer Assisted Auditing Techniques (CAATs - computer software tools to query business data to produce exception reports), to confirm the validity of the indigent consumers list, we identified exceptions of indigent consumers utilising municipal services who did not meet the criteria to be indigent. Refer to the attachments below, which listed the indigent beneficiaries whom management’s internal processes could not identify to be false and were identified by the external audit processes. Indigent customers that benefited from free basic electricity - This information was requested in request for information 22 of 2022. Management response was evaluated and the matters raised remained unresolved. Indigent customers that benefited from other applicable municipal services - This information was requested in request for information 23 of 2022. Management response was | Lack of system to verify /vet indigent customers | 2 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 31-May-2023 | 1. Reversal of subsidies given to unqualifying indigents. 2. Vetting of the current register using internal systems for vetting new employees | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|--|---|---|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|
| | evaluated and the matters raised remained unresolved. | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|--|--|---|---|---|-------------|---|-------------|-------------|--|---|
| AAP16754-2023 | Supply Chain Management – Procurement and Contract Management. | Contrary to the above requirement, we noted that the below suppliers were appointed while their directors are employed by other state institutions, the CSD reports printed at the time of the awarding of the quotation indicated that the directors are employees of government. We also noted that the directors submitted the MBD4 declaration however they did not declare that they are employed by the state: No Supplier No Name of Supplier Description of award Name of director with interest Department employed Date of appointment Amount (R)1 BPM/2567 Demetrius Ahos Trading Supply and delivery of 50 drums of cold mix asphalt 25kg MD Malatji Limpopo: Cooperative Government, Human Settlement & Traditional Affairs 01 April 2018 197 4002 BPM/2286 Phillistus Holdings Supply of Glove pigskin/goatskin blue viking glove MP Magolo Limpopo: Education 05 April 2022 29 5103 BPM/3633 Malapane Aphuthi Holdings Supply of Metabo | The municipality does not have the system in place to detect. The municipality relied on the declaration of interest forms submitted by the service providers | 2 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 30-Jun-2023 | 1. Updating of Irregular Expenditure Register. 2. Table Irregular expenditure to council for further investigation by Mpac 3. To verify through DPSA system. however, the system is only limited to Departments officials in terms of verifications | In Progress | 11-Jan-2023 | Management updated the transactions in the Irregular Expenditure register for 2021/22 financial year | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|---|---|---|-------------|---|-------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| | Cordless Hammer Power drills TK Malapane South African Police Service 07 June 2021 14 276,40 Total 241 186,40 | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| AAP16756-2023 | Property, Plant and Equipment | <p>It was determined during the audit that work-in-progress (WIP) project costs amounting to R24 769 304,44 that were previously capitalised under “Tambo upgrading of street gravel to tar phase 2B,C&D-14/2016” were now capitalised against “Extension of municipal offices”. The adjustment could not be supported by any evidence. Refer to the table below for details of the misclassification identified:</p> <table border="1"> <thead> <tr> <th>Projects</th> <th>Name</th> <th>Amount as per prior year 2020/21 WIP register</th> <th>Amount as per current year 2021/22 WIP register</th> <th>Difference (R)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Extension of Municipal Offices</td> <td>875 745 256</td> <td>45 049,21</td> <td>24 769 304,44</td> </tr> <tr> <td>2</td> <td>Tambo Upgrading of street gravel to tar phase 2 B,C & D</td> <td>25 344 770 575</td> <td>465,96</td> <td>24 769 304,44</td> </tr> <tr> <td></td> <td></td> <td></td> <td>26 220 515</td> <td>-</td> </tr> </tbody> </table> | Projects | Name | Amount as per prior year 2020/21 WIP register | Amount as per current year 2021/22 WIP register | Difference (R) | 1 | Extension of Municipal Offices | 875 745 256 | 45 049,21 | 24 769 304,44 | 2 | Tambo Upgrading of street gravel to tar phase 2 B,C & D | 25 344 770 575 | 465,96 | 24 769 304,44 | | | | 26 220 515 | - | Management oversight/Inadequate review | 0 | Zwidofhelangani Doron Peter Maswanganyi | 13-Jan-2023 | 1. Reclassify the WIP from the extension of offices vote to relevant vote. 2. Review the FAR adequately prior submission to the AGSA avoid the recurrence in the future. 3. Prepare and review reconciliations in order to avoid the recurrence in the future | In Progress | 11-Jan-2023 | Finding resolved through adjustment by reclassification of WIP from Extension of Municipal Offices Vote to the relevant vote | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|----------------|---|---|----------------|---|--------------------------------|-------------|-----------|---------------|---|---|----------------|--------|---------------|--|--|--|------------|---|--|---|--|-------------|---|-------------|-------------|--|---|
| Projects | Name | Amount as per prior year 2020/21 WIP register | Amount as per current year 2021/22 WIP register | Difference (R) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Extension of Municipal Offices | 875 745 256 | 45 049,21 | 24 769 304,44 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Tambo Upgrading of street gravel to tar phase 2 B,C & D | 25 344 770 575 | 465,96 | 24 769 304,44 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 26 220 515 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| AAP16763-2023 | Property, Plant and Equipment | <p>It was determined during the audit that work-in-progress (WIP) project costs amounting to R24 769 304,44 that were previously capitalised under “Tambo upgrading of street gravel to tar phase 2B,C&D-14/2016” were now capitalised against “Extension of municipal offices”. The adjustment could not be supported by any evidence. Refer to the table below for details of the misclassification identified:</p> <table border="1"> <thead> <tr> <th>No</th> <th>Projects Name</th> <th>Amount as per prior year 2020/21 WIP register</th> <th>Amount as per current year 2021/22 WIP register</th> <th>Difference (R)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Extension of Municipal Offices</td> <td>875 745 25 645 049,21</td> <td>24 769 304,44</td> <td>304,44</td> </tr> <tr> <td>2</td> <td>Tambo Upgrading of street gravel to tar phase 2 B,C & D</td> <td>25 344 770 575 465,96</td> <td>24 769 304,44</td> <td>26 220 515</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>26 220 515</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>-</td> </tr> </tbody> </table> | No | Projects Name | Amount as per prior year 2020/21 WIP register | Amount as per current year 2021/22 WIP register | Difference (R) | 1 | Extension of Municipal Offices | 875 745 25 645 049,21 | 24 769 304,44 | 304,44 | 2 | Tambo Upgrading of street gravel to tar phase 2 B,C & D | 25 344 770 575 465,96 | 24 769 304,44 | 26 220 515 | | | | | 26 220 515 | | | | | - | Error of formula by Using of Excel Spread Sheet | 0 | Zwidothelangani Mukoma, Doron Peter Maswanga nyi | 13-Jan-2023 | <ol style="list-style-type: none"> 1. Reclassify the WIP from the extension of offices vote to relevant vote. 2. Review the FAR adequately prior submission to the AGSA avoid the recurrence in the future. 3. Prepare and review reconciliations in order to avoid the recurrence in the future | In Progress | 11-Jan-2023 | Reclassify the WIP from the extension of offices vote to relevant vote | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|----------------|---|---|----------------|---|--------------------------------|-----------------------|---------------|--------|---|---|-----------------------|---------------|------------|--|--|--|--|------------|--|--|--|--|---|---|---|--|-------------|---|-------------|-------------|--|---|
| No | Projects Name | Amount as per prior year 2020/21 WIP register | Amount as per current year 2021/22 WIP register | Difference (R) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Extension of Municipal Offices | 875 745 25 645 049,21 | 24 769 304,44 | 304,44 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Tambo Upgrading of street gravel to tar phase 2 B,C & D | 25 344 770 575 465,96 | 24 769 304,44 | 26 220 515 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 26 220 515 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|--|---|---|-------------|---|-------------|-------------|---|---|
| AAP16789-2023 | Supply Chain Management – Procurement and contract management | The municipality approved various deviations during the 2021/22 financial year and stated that these were due to emergency, upon performing audit procedures it was noted that some of the instances did not meet the definition of an emergency as per SCM regulation and policy, cases included in the below table details instances where the definition of emergency was not met: | Management did not review and monitor compliance | 1 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 30-Jun-2023 | 1. Updating of Irregular Expenditure Register.2. Table Irregular expenditure to council for further investigation by Mpac3. The end users to write the requisitions on time to enable SCM Unit to publish the RFQs on the website to avoid deviation of emergencies | In Progress | 10-Jan-2023 | 1. Management updated the transactions in the Irregular Expenditure register for 2021/22 financial year2. Management is in the process of writing an item to council for probing of UIFWE3. The end users are writing the requisitions on time and the RFQs are published on the website to avoid | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|--|---|---|-------------|---|-------------|-------------|---|---|

Audit Action Plan
Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--------------------------|--|
| | | | | | | | | | | deviation of emergencies | |
|--|--|--|--|--|--|--|--|--|--|--------------------------|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|--|---|---|---|-------------|--|-----------------|-------------|---|---|
| AAP16790-2023 | Supply Chain Management – Procurement and contract management | during the audit of deviations, we noted the below difference between the amount per AFS (note 56) page 104 and payment report: | Lack of adequate review of the reconciliations at year end. | 1 | Willard Ntsoatsoail e Selepe | | Adjustments of AFS on note 56 | Completed | 11-Jan-2023 | The matter was resolved during the AFS Adjustments period | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16791-2023 | Revaluation Reserve | It was noted during the audit that revaluation reserve balance relating to iGrap18 land was not reclassified to surplus/ deficit. The iGrap18 land was recognised at nil due to the land been occupied. This decrease in asset should have been applied to the existing credit balance of revaluation reserve. The revaluation reserve relating to iGrap18 land amount to R24 069 396.42. Refer to the attached schedule | Lack of review of the reconciliations at year end. | 0 | Zwidofhela ngani Mukoma, Doron Peter Maswanga nyi | 30-Jun-2023 | Prepare and review the reconciliation in order to avoid the recurrence in the future. Decrease in land asset to be applied to the existing balance of revaluation reserve | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---------------------|---|---|---|---------------------------|-------------|--|-----------------|-------------|---|---|
| AAP16792-2023 | Provision – Note 19 | during the understanding of the Provisions and Payables from exchange transactions business process and inspection of the annual financial statements for 30 June 2022 submitted for audit, the auditors confirmed that included in the Provisions liability account balance (as per note 19) is accrued bonus of R 2 777 511 (2021: R 2 781 448) resulting from 13th cheque that has accrued to the employees. From discussions with management it was noted that the bonus is relating to 13th cheque that is paid to employee each year on a set date, depending on the employment contract of the employee. As at year end, the employee would be due to receive the equivalent of their one month salary, pro-rated for the number of months worked since the last bonus/13th cheque payment. According to the definition of a provision, which is a liability of uncertain timing or amount, the accrued bonus is a liability however there is no uncertainty relating to | >Misinterpretation of bonus provision and bonus accruals. | 0 | Isaiah Tselagale Mokganya | 31-Aug-2023 | 1. The finding was subsequently resolved after adjustment. 2. Review AFS prior submission to AG to ensure that Bonus provision is disclosed under payable from exchange transaction on the AFS. | Not Yet Started | 10-Jan-2023 | Bonus provision was re-mapped from Provisions to payables from exchange transactions. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---------------------|---|---|---|---------------------------|-------------|--|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| | | <p>the timing or amount, as it is known for each employee when the 13th cheque will be paid for the year and the amount as at 30 June 2022 can be reliably measured as the equivalent of one month salary prorated/multiplied by the number of months since the last 13th cheque payment. This does not meet the definition of a provision. Therefore, the Bonus (13th cheque) is an accrual/liability and should be recorded as "Payables from exchange transactions". The impact of the above is an overstatement of provisions and understatement of payables from exchange transaction by an amount of R 2 777 511 and R 2 781 448 for 2022 and 2021 respectively.</p> | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---------------|---|------------------------------------|---|------------------|-------------|---|-----------------|-------------|--|---|
| AAP16793-2023 | Traffic Fines | <p>We noted the differences between the amount as per the traffic fine schedule and the amount as per the ticket fine. The following table outlines the details of the misstatements identified:</p> <p>Surname and Name: Maedimola Thato Ticket number: 51/65084/139/130358 Charge: Only affixed one number plate to a motor vehicle, except a motorcycle and trailer. Amount as per schedule: R25000 Amount as per ticket: R250 Difference: R24 750</p> <p>Surname and Name: Smit Andries Cornelius Ticket number: 51/65006/139/130202 Charge: Operated a vehicle at a speed of 76-80 km/h which is in excess of the speed limit of 60 km/h as was indicated in the prescribed manner on a road traffic sign Amount as per schedule: R6 250 Amount as per ticket: R625 Difference: R5 625</p> | Poor supervision Lack of review | 2 | Steve Mokhabukhi | 13-Jan-2023 | <p>1. Prepare a Journal to correct the misstatement identified after reviewing the Traffic Fines Schedule. 2. Communicate with the responsible officials about the identified error. 3. The report will be reviewed and verified monthly by the supervisor and the superintendent before submission to BTO.</p> | Not Yet Started | 10-Jan-2023 | <p>Written to the responsible officials to inform them of the identified procedures.</p> <p>To start implementing the procedure in January 2023.</p> | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---------------|---|------------------------------------|---|------------------|-------------|---|-----------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-----------------------------------|---|----------------------------|---|---|-------------|--|-------------|-------------|---|---|
| AAP16795-2023 | Employee Related Costs - Overtime | Overtime hours difference identified between the overtime register and the overtime claim form Contrary to the above requirements, we have identified the difference between overtime hours as per the overtime register and overtime claim form: Employee No: B0057 Employee Surname & Initials : Ndou MF Month of overtime paid: April 2022 Amount of overtime paid: R16 593.42 Total hours worked per overtime register: 68 hours Total hours worked per claim form: 69 hours Difference in value/Rands : R239.34 Difference in hours: 1 hour | Lack of proper supervision | 1 | Yvonne Mashele, Jacqueline Phakula, Steve Mokhabukhi, Sello Madiope | 13-Jan-2023 | 1. Extensive review of the overtime hours claimed by departments. 2. Validation of the overtime hours. 3. Affected employees to be engaged for refund. | In Progress | 10-Jan-2023 | Communication was forwarded to the affected Sectional heads | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-----------------------------------|---|----------------------------|---|---|-------------|--|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-----------------------------|---|---|---|---|-------------|--|-----------------|-------------|---|---|
| AAP16796-2023 | Revaluation Reserve | It was determined during the audit that revaluation reserve cannot be traced to the underlying asset in the asset register. Refer to the attached spreadsheet for items that could not be traced to the asset register | Inadequate review of the FAR prior submission to AGSA | 2 | Zwidothelangani Mukoma, Doron Peter Maswanganyi | 13-Jan-2023 | <ol style="list-style-type: none"> 1. Do physical verification to check whether the vacant land is illegally occupied or invaded. 2. Ensure that the listed properties are included in the iGRAP 18. 3. Ensure that revaluation reserve underlying assets are recorded on the asset register. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16797-2023 | Asset register not complete | It was determined during the audit that some of the municipal land's properties (properties registered in the name of the municipality) as per deeds office were not recorded in the municipal asset register submitted for audit. Refer to the attached annexure: Land Completeness: | The AGSA utilised the wrong General Plan | 2 | Zwidothelangani Mukoma, Doron Peter Maswanganyi | 13-Jan-2023 | Finding resolved, Provide the reconciliation together with the Audit File to avoid the recurrence in the future | Completed | 11-Jan-2023 | Finding was resolved by explaining to the AGSA concerning the 2 general plan. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|-------------------------------------|---|---|-------------|---|-------------|-------------|--|---|
| AAP16800-2023 | Inventory (Note 98) Consumables (Note 41) | during the audit of inventory we noted that the inventory expensed as disclosed under note 8 and 41 as consumables under general expenses, is incorrectly recorded/presented at an amount of R29 760 622. The differences are outlined as follows:Differences between inventory register and AFS Differences between general ledger and AFS | Inadequate proper review of the AFS | 1 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 13-Jan-2023 | Issue 11..1. Reclassification of general expenditure transactions disclosed as consumables 1.2. Correction of prior year error note.1.3. Budget office to reject any requisition that is wrongly classified Issue 22.1. Correction of inventory write down – under note 8 | In Progress | 10-Jan-2023 | Issue 11.1 Transactions identified and the Journal to be processed 1.2. To be resolved during the preparation of Draft AFS as at 30 June 2023 (ASF sets reflating the correction of prior year errors) Issue 2 Inventory write down amount has been corrected during the AFS Adjustments period and the matter has been resolved | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|-------------------------------------|---|---|-------------|---|-------------|-------------|--|---|



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|--|--|---|---|---|-------------|---|-------------|-------------|---|---|
| AAP16802-2023 | Inventory (Note 98) Consumables (Note 41) | . Additionally, we noted that inventory write down disclosed in the AFS under note 8 is recorded as R584 363 and on the general ledger is recorded as R582 363. General ledger difference | inadequately proper review of the AFS | 0 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 13-Jan-2023 | to correct the Inventory write down amount under note 8, to be recorded as R582 363 as per the general ledger and inventory valuation. | Completed | 11-Jan-2023 | Inventory write down amount has been corrected during the AFS Adjustments period (30 June 2022) under note 8 of the adjusted AFS to be R582 363 | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16803-2023 | Public Contribution and Donations – Donation Methodology | As per methodology submitted by the municipality, all donation received are recorded at cost incurred by the donating entity/ person. This methodology is not in line with GRAP 17 and 23 as the initial recognition for donated assets should be at fair value. Furthermore, we requested workings on how the fair value/s of donated assets during the current year 2021/22 were determined that the assets were initially recorded at the cost incurred | Lack of review of policies and methodologies at year end. | 0 | Amos Thulani Ndzimande , Doron Peter Maswanganyi | 13-Jan-2023 | 1. Review of methodology to address fair value required by GRAP 2. Ensure that the methodology is in line with GRAP 17 and 23 as the initial recognition for donated assets should be at fair value. 3. Provide all the policies and additional reviewed methodologies together in order to avoid the recurrence in the future. | In Progress | 13-Jan-2023 | Finding resolved by providing a methodology which is regarded as fair value | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | by the donor. Refer to the table below: | | | | | | | | | | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|---|---|---|-------------|--|-------------|-------------|--|---|
| AAP16805-2023 | Supply Chain Management – Procurement and Contract Management | It was identified during the audit that the below service providers conducted business with the municipality in the current financial year and the directors of the company did not declare on MBD4 certificate that they are business partner/s with the councillor/s of the municipality: | The municipality does not have the system in place to detect. The municipality relied on the declaration of interest forms submitted by the service providers and councillors | 2 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe, Tshepo Sekwari | 30-Jun-2023 | <ol style="list-style-type: none"> 1. Updating of Irregular Expenditure Register. 2. Table Irregular expenditure to council for further investigation by MPAC 3. Municipality to develop Fraud and corruption Declaration form to be attached to the tender documents 4. Risk Management Unit to conduct the awareness to the councillors in relation to declaration of interest 5. Opening of fraud cases for the bidders who disclose false information | In Progress | 10-Jan-2023 | <ol style="list-style-type: none"> 1. Management updated the transactions in the Irregular Expenditure register for 2021/22 financial year 2. Management is the process of submitting an item to council in respect of UIFWE probing 3. Municipality developed the Fraud and corruption Declaration form that is attached to the tender documents | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|---|---|-------------|--|-------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | 4. Risk Management Unit Conducted the awareness to the councillors in relation to declaration of interest |
|--|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---------------------------------|--|--|---|---|-------------|--|-------------|-------------|--|---|
| AAP16806-2023 | PPE Work in Progress - Addition | We noted the difference between the amount as per invoice and the amount as per work in progress register. Refer to the table below for details: | Using the manual system to capture Work in Progress on capital projects Work In Progress was recognized with VAT instead of excluding VAT | 2 | Zwidothelani Mukoma, Doron Peter Maswanganyi | 13-Jan-2023 | Use the Module for Asset management on CCG systems to avoid errors 1. Remove VAT on Work In Progress 2. Prepare and provide the reconciliation together with the Audit File to avoid the recurrence in the future. 3. Prepare a fair value methodology in line with the applicable GRAP standards to ensure compliance. | In Progress | 13-Jan-2023 | Finding resolved by adjustment journal where VAT was removed on WIP. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16808-2023 | Depreciation | It was determined during the audit that the depreciation amount as per asset register is different from auditors' recalculated amount. The following table outlines the details: | There was human error calculations | 2 | Zwidothelani Mukoma, Doron Peter Maswanganyi | 13-Jan-2023 | 1. Adjust the FAR with the correct amount for depreciation 2. Migrate the FAR to the SAGE assets module 3. Review the FAR for errors of formulas and other inaccuracies prior to submission in order to avoid the recurrence. | In Progress | 13-Jan-2023 | 1. FAR fully migrated to AMS system 2. FAR corrected with the right amount for depreciation | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|---|--|---|---|--|-------------|---|-----------------|-------------|--|---|
| AAP16812-2023 | Completeness of Valuation Roll | During the audit of consumer debtors, we have performed the deed search and identified all properties that belong to the municipality, situated within the municipal area, and have determined that there are properties could not be traced to the valuation roll. The attached excel outlines the details including SG codes relating of those properties in the deed search that could not be traced to the valuation roll: | Some ERFs were changed due to the change in the General Plan | 0 | Ndivhuho Tshishonga , Modise Mashale, Ntwanano Shikwambana | 13-Jan-2023 | Investigate all the properties within the boundaries of Ba-Phalaborwa Municipality and Reconcile against the Municipal Valuation Roll Update the Municipal Valuation Roll | In Progress | 10-Jan-2023 | Properties identified by the AGSA were added to the Valuation. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16813-2023 | Employee Benefits obligations – Note 17 | Difference between final amounts per prior year AFS and corresponding amounts per current year AFS Contrary to the above requirement, during the audit of employee benefit obligations we noted the below difference in note 17 between the corresponding amounts per current year annual financial statements and final amounts per prior year annual financial statements | <ol style="list-style-type: none"> Lack of proper review of the opening balances. Submission of incorrect data to the Actuaries | 2 | Amos Thulani Ndzimande , Isaiah Tselagale Mokganya | 31-Aug-2023 | <ol style="list-style-type: none"> Review the actuarial report prior utilisation to prepare the AFS Adjusted the Prior year adjustment note on the AFS. | Not Yet Started | 10-Jan-2023 | The finding was resolved by including the narration for changes made on the Employee obligation in the Prior period adjustment note. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|--|----------------------------------|---|---------------------------|-------------|--|-----------------|-------------|---|---|
| AAP16815-2023 | Employee Benefits obligations – Note 17 | Note 17 paragraph erroneously includes 2020/2021 average balances and dates Contrary to the above requirement, during the audit of employee benefit obligations note 17 we noted that the disclosure paragraph erroneously includes the below average balances and dates: | Lack of proper review of the AFS | 2 | Isaiah Tselagale Mokganya | 31-Aug-2023 | <ol style="list-style-type: none"> 1. Review actuarial reports prior utilisation to prepare AFS. 2. Ensure that there is a proper review of the AFS before submitting to AGSA. | Not Yet Started | 10-Jan-2023 | <ol style="list-style-type: none"> 1. The finding was resolved by adjusting the prior period adjustment note with the changes made on Employee Obligation. 2. Journal to correct the overstatement of the Employee obligation balance was passed. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|----------------------------------|---|---------------------------|-------------|--|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|--|--|---|--|-------------|---|-----------------|--|---|
| AAP16817-2023 | Revenue from Exchange Transactions – Waste Management | Contrary to the above requirements, through use of CAATs we have identified properties that were billed for other applicable municipal services but not billed for refuse during the financial year. We issued request for information no.64 on the 28 of October 2022 which was due on the 01 of November 2022 and responded to on the 31 of October 2022 where management subsequently agreed with the CAATs exceptions and confirmed that these properties were not billed for refuse in the year under audit resulting in an understatement of revenue from service charges (waste management) as disclosed in note no.22 of the AFS. Please refer to the attached document for the full list of properties identified and the estimated financial impact: | Lack of capacity to review the billable services per account | 2 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 28-Feb-2023 | 1. Post a journal to debit all accounts that did not bill waste management. 2. Activate the waste management charge on all accounts that were not billed | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|--|---|--|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|---|--|---|--|-------------|--|-----------------|--|---|
| AAP16819-2023 | Revenue from Non-Exchange Transactions – Understatement of Property Rates | <p>Contrary to the above requirements, we noted that the property rates have been understated by R110,64 per month for the selected customer due to the property being treated as a residential property instead of a business property and the error resulted in the municipality crediting the customer's account with the property exclusion of R16, 85 and applying a rebate of 10% instead of 5% on the monthly property rates.</p> <p>The finding of R110, 64 is drawn from a sample of R47 669 and a population of R141 318 603 which resulted in the misstatement of R328 000 through projection. The following table outlines the details:</p> | <p>Incorrect categories on the customers' accounts (the information was misaligned on the previous system)</p> <p>Tenants accounts were created on the E Venus system and these caused differences between the Valuation Roll and the System</p> | 2 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 30-Jun-2023 | <ol style="list-style-type: none"> 1. Reconcile the properties in the system to the valuation roll (compare properties owner, category, market value, SG number, physical address) 2. Investigate further on the differences identified. 3. Post corrective journal for incorrect rate utilized | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|--|---|--|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-------------------------------------|---|---|---|---------------------------|-------------|--|-------------|-------------|--|---|
| AAP16820-2023 | Cash and Cash Equivalents – Note 11 | Contrary to the above requirement, during the audit of cash and cash equivalents we noted that the cash book balances presented on the AFS under note 11 do not agree with the cash book balance from bank reconciliations as at 30 June 2022. The differences are outlined as follows: | 1.Duplicate transactions in the cashbook due to migration from Sebata to CCG. 2.Unsupported reconciling items in the cashbooks 2.misallocation of transactions between different Municipal bank accounts. | 1 | Isaiah Tselagale Mokganya | 28-Feb-2023 | 1. Review the Cash book to identify all the duplications and misallocation in the system 2. Investigate and engaged CCG on all the identified misallocations and duplications. 3. Prepare the journals to correct the duplication and misallocations. Capture the journals on the system 4. Prepare and review monthly bank reconciliations | In Progress | 10-Jan-2023 | 1. Reviewed the Cash book to identify all the duplications and misallocation in the system 2. Investigated and engaged CCG on all the identified misallocations and duplications. 3. Prepared the journals to correct the duplication and misallocations | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------------------|---|---|---|---------------------------|-------------|--|-------------|-------------|--|---|



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|------------------------------------|---|---|---|---------------------------|-------------|--|-------------|-------------|--|---|
| AAP16822-2023 | Cash and Cash Equivalent - Note 11 | Contrary to the above requirement, during the audit of cash and cash equivalents we noted that the bank statement balance on the bank reconciliation does not correspond to the bank statement balance on the AFS of 15 588 012. The differences are outlined as follows: | 1.System challenge. 2.Bank Reconciliations balances not properly reviewed. | 2 | Isaiah Tselagale Mokganya | 04-Jan-2023 | 1.Perform monthly bank reconciliation. 2.Ensure that bank reconciliation balances are adequately verified against the balances as per the bank statements. 3.Cashbook balances are verified against the balances as per the GL/Trial votes. 4.Ensure that any reconciling item is investigated as soon as it is identified. 5.The closing balance as per the bank statement on the bank reconciliation will be adjusted to ensure that it corresponds with the balance on the AFS. | In Progress | 10-Jan-2023 | The closing balance as per the bank statement on the bank reconciliation was adjusted to ensure that it corresponds with the balance on the AFS. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|------------------------------------|---|---|---|---------------------------|-------------|--|-------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|----------------------|--|--|---|----------|---|--------------------|---|--------------------|--------------------|---|--|
| <p>AAP16823-2023</p> | <p>Employee Benefit Obligations – Long Service Bonus Awards</p> <p>Initials & Surname Employee No Engagement date Job Description TB SEEMELA Boo68 01-Mar-21 MFMA INTERNS RR MAKASELA Boo70 01-Mar-21 MFMA INTERNS DA MABUSELA Boo71 01-Mar-21 MFMA INTERNS TM NGOBENI Boo72 01-Mar-21 MFMA INTERNS L SELOWA Boo74 01-Apr-21 MFMA INTERNS KF MADIGA Boo75 01-Apr-21 MFMA INTERNS A SAMBO Boo76</p> | <p>Contrary to the above requirements, during the audit of employee benefit obligations we noted that the following interns have been incorrectly included in the data used to determine the actuarial value of long service award liability as at 30 June 2022 as disclosed in note 17 of the annual financial statements. This has resulted in the employee benefit obligation for long service award being misstated, as the municipality only employs interns for a period of 24 months, therefore interns should not form part of the input data used to determine the actuarial value of the long service award:</p> | <p>The employee master file did not reflect the positions of the employees.</p> | <p>2</p> | <p>Yvonne Mashele, Tshiritshiri Simon Mashale, Jacqueline Phakula</p> | <p>04-Jan-2023</p> | <p>1. Revise Acturial Report. 2. Review the employer master file to ensure that temporary employees and councillors are excluded prior providing the report to the Actuarists. 3. Ensure that employee positions are reflected on the employee master file.</p> | <p>In Progress</p> | <p>10-Jan-2023</p> | <p>Requested adjustment to exclude MFMA Interns</p> | <p>Satisfactory. Internal Audit is satisfied with the action plan to address the finding</p> |
|----------------------|--|--|---|----------|---|--------------------|---|--------------------|--------------------|---|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|--|--|--|
| 01-Apr-21 MFMA INTERNS | | | | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|--|-------------|--|-----------------|-------------|---------------------------------------|---|
| AAP16828-2023 | Asset Register not complete | It was determined during the audit that municipal land as per valuation roll was not recorded in the asset register. Refer to the attached annexure: Land completeness – Valuation roll: | Incorrect General Plan was utilised | 0 | Doron Peter Maswanganyi | 30-Jun-2023 | Finding resolved. Provide the reconciliation together with the Audit File to avoid the recurrence | In Progress | 13-Jan-2023 | Finding resolved though explanationns | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16832-2023 | Allowance for Impairment – Traffic Fines | Contrary to the above requirements, during the audit of impairment allowances, we identified that management did not make any assessment to determine if there is objective evidence that the receivables from non-exchange transactions (traffic fines) has impaired. Consequently no estimated allowance for impairment for traffic fines was made and disclosed in the AFS. | Impairment of traffic fines was done but not updated on the case ware | 2 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 30-Jun-2023 | 1. Prepare impairment workings on Traffic fines 2. Post a Journal of impairment based on the workings prepared 3. Ensure that the review of the AFS is done. | Not Yet Started | 10-Jan-2023 | Workings on impairment Prepared | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|--|---|---|---|-------------|--|-------------|-------------|------------------|---|
| AAP16866-2023 | Movable Assets – Changes in Useful Lives | It was determined during the audit that the useful lives of movable asset were changed from the prior year 2020/21 to current year 2021/22 however this change was not disclosed as per GRAP 3. Refer to the attached annexure for details of the finding: | Oversight by management to disclosures | 0 | Zwidofhela ngani Mukoma, Doron Peter Maswanga nyi | 04-Jan-2023 | <ol style="list-style-type: none"> 1. Do adjustment on disclosures to correct the missed disclosures 2. Perform adequate review on the supporting schedules (useful lives) and the financial statements before submission. 3. Ensure that AFS disclosures are aligned to the supporting schedules, assets listing for useful lives. | In Progress | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16868-2023 | Limitation of Scope – Investment Property – Title Deeds | Contrary to the above requirements, request for information 75 was not submitted within the stipulated time of 3 days of issue as per the engagement letter. Below are the details of RFI that was issued and not responded to: | RFI were issued in numbers within short space of time | 0 | Zwidofhela ngani Mukoma, Doron Peter Maswanga nyi | 04-Jan-2023 | To improve on obtaining bulk information requested from Deeds office and submit the deeds dump report together with the Audit File to avoid recurrence. Adhere to timeframes | In Progress | 13-Jan-2023 | Finding resolved | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-------------------------|--|---|---|----------------------------------|-------------|--|-------------|-------------|---|---|
| AAP16869-2023 | Contingencies – Note 45 | <p>Contrary to the above requirement, during the audit of contingencies we noted that the following litigations as per legal confirmations received from attorneys of the municipality on claims against the municipality or claims made by the municipality were not included in the register for contingencies and not disclosed in the annual financial statements at year end. Refer to the table below:</p> <p>Contingent liabilities: Contingent assets:</p> | The cases should have been recorded twice as they are both claims against the municipality and counterclaims by the municipality. | 0 | Tshiritshiri Simon Mashale | 31-Jan-2023 | 1. Separation of claims for and against the municipality on the register for the previous year and current year going forward. | In Progress | 10-Jan-2023 | Claims for and against the municipality were separated for the current financial year | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------|--|---|---|----------------------------------|-------------|--|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-------------------------|--|---|---|----------------------------------|-------------|---|-------------|-------------|--|---|
| AAP16871-2023 | Contingencies – Note 45 | <p>Management did not make assessment of the financial effect of the contingent liability claims as disclosed in note 45 and therefore no such evidence could be submitted together with all the supporting records for audit purpose.</p> <p>The municipality disclosed the amount of litigations and claims as indicated in the summons or the letter from the legal representatives of the plaintiff as a contingent liability without assessing the financial effect / reasonability of the claim.</p> <p>We were therefore limited to either summons or claims and have been unable to confirm the best estimate of the financial effect of the contingent liabilities disclosed in the Note 45 to the AFS.</p> | The municipality assess the liability and not estimate financial implications | 1 | Tshiritshiri Simon Mashale | 13-Jan-2023 | Claims for and against the municipality will be reflected as they appear on the summons and as per our claims | In Progress | 10-Jan-2023 | Claims for and against the Municipality were separated on the Litigation Register. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------|--|---|---|----------------------------------|-------------|---|-------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-------------------------|--|---|---|----------------------------------|-------------|---|-------------|-------------|---|---|
| AAP16872-2023 | Contingencies – Note 45 | <p>Contrary to the above requirement, during the audit of contingencies we noted that estimated legal cost as per legal confirmations were taken into account when determining the amount of contingencies at year end, even though future estimated legal cost will be paid regardless of the outcome of the litigations. Furthermore, estimated legal cost is a future cost for the future services to be rendered. Therefore, estimated legal cost does not arise from past events but from future services to be rendered. As results of the above, we noted the difference between amounts disclosed in the AFS and external confirmation. Refer to the table below: Contingent liabilities: Contingent assets:</p> | Litigation claim and legal fees were not clearly indicated on the register. | 0 | Tshiritshiri Simon Mashale | 04-Jan-2023 | 1. Review of the litigation Register by removing the column for estimated legal fees. | In Progress | 10-Jan-2023 | Finding resolved through adjustment. The column of estimated legal fees was removed on the Litigation Register. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------|--|---|---|----------------------------------|-------------|---|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|---|-------------|--|-----------------|-------------|--|---|
| AAP16876-2023 | Non Compliance with Indigent Policy - AoPO | Number of indigent households receiving free basic waste removal services by 30/06/2022 3. The following applicants failed to have the form returned before June of each municipal financial year as per the indigent policy: | Indigent Registration not done in 2020 due to COVID | 2 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 30-Mar-2023 | 1. Register Indigents customer annually 2. Update /Review the Indigent Policy to allow updates of customers status 3. Vet the Indigent register (using the current HR system to vet new employees) | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16878-2023 | Investment Property – Rate per M/HA 2 not Supported by Expert Report | It was determined that during the audit investment property that the rate per square meter/ha used in the investment property asset register for the items on the following table could not be supported by the expert report submitted for audit: Refer to the table below for the affected line items: | Lack of understanding the workings by the Auditors from the Valuer or Expert report | 0 | Zwidofhelangani Mukoma, Doron Peter Maswanganyi | 13-Jan-2023 | 1. Management will perform adequate reviews to the supporting schedules to the AFS before submission for audit | Completed | 18-Jan-2023 | The Workings were submitted to the Auditors and findings resolved. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16881-2023 | Investment Property | During the audit of investment property, we noted the difference between the amount as per investment property register and the valuation certificates. The table below outlines the details: | Lack of understanding the workings by the Auditors from the Valuer or Expert report | 0 | Zwidofhelangani Mukoma, Doron Peter Maswanganyi | 13-Jan-2023 | 1. Management will perform adequate reviews to the supporting schedules to the AFS before submission for audit. | In Progress | 18-Jan-2023 | The Workings were submitted to the Auditors and findings resolved. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--|--|--|---|---------------------|-------------|--|-----------------|--|---|
| AAP16882-2023 | Service Charges – Unbilled Metered Electricity not Estimated | <p>Contrary to the requirements, during the performance of the audit of service charges, we identified that the Municipality does not perform any estimates on electricity meters that were unable to be read at year-end.</p> <p>1) Domestic No estimates were performed relating to conventional electricity meters that were not billed in June 2022 due to the meter readings not being taken. The total misstatement is unquantifiable by the auditor.</p> <p>2) Commercial No estimates were performed relating to conventional electricity meters that were not billed in June 2022 due to the meter readings not being taken. The misstatement relating to conventional electricity meters for commercial could not be quantified by the auditor and hence it is not included in the below calculation.</p> <p>3) Industrial No estimates were performed</p> | CCG Sage system not billing estimate consumption | 0 | Ndivhuho Tshishonga | 31-Mar-2023 | <ol style="list-style-type: none"> 1. Engage with CCG system on consumption estimates functionality. 2. Do estimates outside the system monthly and post them to the system. 3. Through the review ensure the correct tariffs are utilized. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|--|---|---------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|
| | <p>relating to conventional electricity meters that were not billed in June 2022 due to the meter readings not being taken. The total misstatement is unquantifiable by the auditor. Please refer to the below for the auditor's recalculation.</p> | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|---|--|--|---|--|-------------|--|-----------------|--|--|---|
| AAP16884-2023 | Payables from exchange transactions – Unallocated deposits received | During the audit of Payables from exchange transactions – unallocated deposits received we noted the difference between the amount as per schedule provided in terms of Request for information no.67 and the amount as per the AFS and Trial balance. The table below outlines the details: 2022 closing balance: | Prior year Journal emanating from the Sebata system and posted against unallocated deposit | o | Isaiah Tselagale Mokganya, Ndivhuho Tshishonga | 13-Jan-2023 | 1. Investigate the differences noted amounting to R16 Million between the AFS /GL and the supporting schedule 2. Preparation of an item to council for write off. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16885-2023 | Service Charges – Incorrect Tariffs used for Prepaid Electricity | During the performance audit of service charges, we identified that the prepaid electricity tariffs approved by NERSA have not been accurately imported to the system by the service provider, Cigi-Cell, which sells prepaid electricity on behalf of the municipality and the difference noted resulted in the overstatement of service charges. Please refer to the below for the auditor's recalculation and the 2021-22 NERSA approved tariffs: | Manual capturing of tariffs which resulted in differences | o | Amos Thulani Ndzimande, Ndivhuho Tshishonga | 31-Mar-2023 | Thorough review of tariffs captured against the approval letter from NERSA before final approval Ensure that the Tariffs loaded are as per NERSA approval letter by Comparing the tariff book with the tariffs loaded | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|--------------------------|---|---|-------------|--|-------------|-------------|--|---|
| AAP16886-2023 | PPE – Infrastructure assets – Componentization of completed projects | Contrary to the above requirements, it was determined during the audit of completed projects that in the current year these projects were not componentised in the asset register upon capitalisation even though they are significant in nature and their useful lives differs significantly. Depreciation on these assets was therefore not accounted for separately. The following table outlines the details: | Inadequate review of FAR | 0 | Amos Thulani Ndzimande , Doron Peter Maswanga nyi | 13-Jan-2023 | Review the FAR to make sure that all completed projects are unbundled and supported by reports and certificates of completion prior to submission to the AGSA to avoid the recurrence in the future. | In Progress | 13-Jan-2023 | The finding was resolved after adjustment of the FAR | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|---|--------------------------|---|---|-------------|--|-------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|---------------|-------------|--|-------------|-------------|---|---|
| AAP16887-2023 | Bulk Purchases – Internal Control Deficiency | <p>During the audit of Bulk purchases – electricity and the understanding of the business process it was noted that as per the documented process, management should verify the readings as per the Eskom invoice to the SEL Incomer system of the municipality in order to confirm the occurrence and accuracy of the electricity consumed as per the Eskom invoice. As part of the walkthrough, request for information number no.26 requested management to confirm if the process took place and provide support as evidence that the verification of the invoices were done on a monthly basis. Management confirmed that the process did not take place throughout the year and the Eskom invoices were paid without confirmation of the consumption as per the SEL incomer systems situated at the municipality electricity substation.</p> | 1. The Municipality was not confirming the readings on monthly basis and the system was not backing up. | o | Sello Madiope | 13-Jan-2023 | 1. The Municipality will record the readings from system and compare it with the invoices from on a monthly basis. | In Progress | 10-Jan-2023 | 1. The Municipality has compared the readings from the system with invoices from Eskom from July 2022 to December 2022. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|---|---|---------------|-------------|--|-------------|-------------|---|---|



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|--|--|--|---|---------------------------|-------------|--|-----------------|--|--|---|
| AAP16888-2023 | General expense – Invoices not paid within 30 days of receiving the relevant invoice | During the execution of the audit, we confirmed through recalculation of the days it took for the municipality to pay their creditors and confirmed that other creditors had not been paid for a period longer than 30 days. This results to a non-compliance with the MFMA, as it states that payments should be made within 30 days of receiving the invoice. Below is a schedule of payments that exceeded 30 days: 1. Repairs and maintenance 2. Hire of equipment 3. Remaining General Expenses | Late submission of invoices from different directorates. | 5 | Isaiah Tselagale Mokganya | 30-Jun-2023 | Write a memorandum to all different directorates reminding them to submit their invoices as soon as they receive. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16889-2023 | Revenue from non-exchange transactions Understatement of unconditional grants | During the audit we identified that Division of Revenue Act made allocation equitable share to Ba-Phalaborwa Municipality for the 2021-22 financial year amounting to R 171 127 000, however only R169 872 000 was recognised in the general ledger and disclosed in note 29 of the financial statements, resulting in the understatement differences of R 1 255 000. | Not provided | 2 | Amos Thulani Ndzimande | 13-Jan-2023 | Auditors were provided with further evidence requested and the matter was resolved after additional disclosure as advised by Auditor General | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|------------------------|-------------|---|-----------------|--|--|---|
| AAP16891-2023 | Revenue from non-exchange transactions – Overstatement of conditional grants | Contrary to the above requirement, we noted that management incorrectly recognized revenue on conditional grant without conditions being met for each grant. The finding results in an overstatement of revenue from non-exchange transactions - Conditional grants. The below table illustrate management’s calculation versus auditor’s calculations and result in an overstatement of R1 355 900. | Management oversight when reviewing the AFS | 2 | Amos Thulani Ndzimande | 13-Jan-2023 | <p>Management will recognize revenue from government grants and subsidies on a monthly basis when payments are done using grants</p> <p>Management resolved the matter during the adjustment of the 2021/22 AFS</p> | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|---|---|------------------------|-------------|---|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|--|-------------|---|-------------|-------------|---|---|
| AAP16892-2023 | Revenue from non-exchange transactions – Overstatement of conditional grants | <p>Contrary to the above requirement, we noted that municipality spent 21% of the allocation as at 31 December 2021, the municipality did not meet the above condition as per the above requirements resulting non-compliance with the DoRA. The details of the finding are as follows:</p> <p>EPWP Contrary to the above requirements, we noted that municipality do not report work opportunities on the EPWP reporting system due to system errors that enables the municipality to log into the system</p> | <p>Moratorium passed by the Constitutional Court affected the implementation of most of projects Late advertisement of projects The Municipality does not have the EPWP Coordinator</p> | 1 | Sello Madiope, Kholofelo Mawela, Tshirithiri Simon Mashale, Jacqueline Phakula | 13-Jan-2023 | <p>1. Appointment of EPWP Coordinator 2. Advertisement of projects in the 3rd quarter and appointment of service providers in the 4th quarter</p> | In Progress | 13-Jan-2023 | The EPWP Coordinator post was advertised internally | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|---|---|--|-------------|---|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--------------------------------|---|---|---|---|-------------|---|-------------|-------------|---|---|
| AAP16913-2023 | SCM Procurements and contracts | The invitation to tender for the below tenders and quotations did not specify the minimum threshold for local content, as required by the regulation above. | The responsible bid committees did not adequately review and monitor compliance | 2 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 30-Jun-2023 | <ol style="list-style-type: none"> 1. Updating of Irregular Expenditure Register. 2. Table Irregular expenditure to council for further investigation by Mpac. 3. Updating of SCM Policy to align with the revised Preferential Procurement Regulations (PPR) 2022 | In Progress | 10-Jan-2023 | <ol style="list-style-type: none"> 1. Management updated the transactions in the Irregular Expenditure register for 2021/22 financial year 2. Management is in the process of submitting an item to council for UIFWE probing 3. PPPFA of 2017 which is including local content practice was found unlawful by Court. As a result, the | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--------------------------------|---|---|---|---|-------------|---|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | new Preferential Procurement Regulations (PPR) 2022 has been signed by the Minister of Finance to replace the PPPFA of 2017. Refer to the attached new PPR, Management is in the process of updating the SCM policy to be aligned to the new regulation (PPR 2022) |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|-------------------------------|--|--|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP16916-2023 | Contracted services – Note 40 | <p>Based on the memorandum of understanding between the department of transport and Ba-Phalaborwa local municipality we have noticed that the department of transport has entered into an agreement with the municipality to provide registration, licensing and testing functions on behalf of the department.</p> <p>Based on the above agreement, this is a principle – agent’s arrangement as defined and therefore requirements of GRAP 109 should have been applied.</p> <p>During the audit of contracted services as disclosed under note 40 of the annual financial statements, we noted that an amount of R19 296 745 relating to traffic fines management was incorrectly classified as outsourced services: contracted services. Included in the misclassification amount includes the following sampled transactions:</p> | Lack of workflow to account for licences | 4 | Steve Mokhabukhi, Ndivhuho Tshishonga | 13-Jan-2023 | <ol style="list-style-type: none"> 1. Investigate the Licence & Permits Revenue disclosed on the AFS against the schedule 2. Develop a workflow system to account for Licence & Permits Revenue | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------------|--|--|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| | | <p>Furthermore, for an amount to be classified as contracted services, the municipality should appoint a service provider to provide services such as professional services e.g business & Advisory, contractors, consultants and professional services, etc.</p> <p>As per the above considerations, we conclude that an amount of R19 296 745 was incorrectly classified as contracted services.</p> | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|----------------|--|--|---|---------------------|-------------|---|-----------------|-------------|---|---|
| AAP16918-2023 | Bulk Purchases | During the audit of the presentation and disclosure of Note 39 relating to Bulk Purchases it was identified that the rand value of the electricity losses as disclosed in the narration of note 39 is R 12 919 1723. There is an error as the last numbers of the amount has 4 digits and therefore results in an invalid amount that does not agree to the schedule for electricity losses of R 12 919 172. Furthermore, management have not disclosed what the contributing factor of the electricity losses was or what caused the electricity losses for the users understanding. It is essential for the user to understand what caused the electricity losses and for the achievement of fair presentation in terms of GRAP 1. | Error in the capturing of the distribution loss of electricity, however the finding was resolved | 0 | Ndivhuho Tshishonga | 13-Jan-2023 | Review the Draft & Final AFS against the Distribution Loss working paper and ensure that the correct loss is disclosed on the AFS | Not Yet Started | 10-Jan-2023 | The finding was resolved after AG allowed an adjustment on the disclosure note Number 40 on the AFS | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|----------------|--|--|---|---------------------|-------------|---|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|--|--|---|---------------------------|-------------|--|-----------------|--|---|
| AAP16919-2023 | Cash and Cash Equivalent- no adjustment made on prior year issues | Note 11 to the AFS discloses the opening balance of cash and cash equivalent for the year as R69 319 706 Although there is a change of system from SEBATA to SAGE Evolution and that management are able to provide bank reconciliation in the current year using the new system, we are still unable to determine whether the opening balance for cash and cash equivalents was correctly determined since management did not provide the auditors with bank reconciliations to reconcile the balance as per bank statement as at 30 June 2021 and underlying records (cash books). Furthermore, there was no prior year adjustments to confirm that management corrected the opening balance of cash and cash equivalents | The municipality couldn't provide the adjusted 2020_2021 bank reconciliation due to system limitation. | 2 | Isaiah Tselagale Mokganya | 28-Feb-2023 | 1.The municipality procured a new financial management system. 2.Bank confirmations utilised to ensure that accurate cash and cash balance is disclosed on the 2020/2021 AFS hence there were no adjustment on the opening balance. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|--|---|---------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|--|---|---|---------------------------|-------------|--|-------------|-------------|---|---|
| AAP16924-2023 | cash and cash equivalent-unreconciled differences and invalid reconciling items | Issue 1: Contrary to the above, during the audit of cash and cash equivalents we noted that reconciling items are not cleared on a timely basis as the June reconciliations consists of unreconciled items from the previous months, reconciling items are carried forward. The following will result in significant control deficiency. | <ol style="list-style-type: none"> 1.Duplicate transactions in the cashbook due to migration from Sebata to CCG. 2.Unsupported reconciling items in the cashbooks 3.misallocation of transactions between different Municipal bank accounts. 4.Ensure that monthly bank reconciliations are adequately prepared and reviewed. | 4 | Isaiah Tselagale Mokganya | 13-Jan-2023 | <ol style="list-style-type: none"> 1.Identify all the duplications and misallocation in the system 2.Investigate and engaged CCG on all the identified misallocations and duplications. 3.Prepare the journals to correct the duplication and misallocations. 4.Prepare and review the monthly bank reconciliation | In Progress | 11-Jan-2023 | <ol style="list-style-type: none"> 1.Identified all the duplications and misallocation in the system 2.Investigated and engaged CCG on all the identified misallocations and duplications. 3.Prepared the journals to correct the duplication and misallocations | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|---|---|---------------------------|-------------|--|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|---|---|---------------------------|-------------|--|-------------|-------------|---|---|
| AAP16925-2023 | cash and cash equivalent-unreconciled differences and invalid reconciling items | Contrary to the above, during the audit of cash and cash equivalents we requested management under RFI 77 to provide us with the supporting documents for the differences from the bank statement and cashbook balance for municipality's banks accounts and management submitted a listing that that does not agree to the differences. The following finding is outlined below: | This finding occurred as a result of unreconciled bank transactions in the cashbook | 0 | Isaiah Tselagale Mokganya | 31-Mar-2023 | <ol style="list-style-type: none"> 1. Identify all the duplications, reconciling items and misallocation in the system 2. Investigate and engaged CCG on all the unsupported reconciling items which they are busy reversing them from the system. 3. We will ensure that all the reconciling items are resolved as soon as they are identified. 4. We will ensure that Bank reconciliations are properly prepared and reviewed. | In Progress | 11-Jan-2023 | <ol style="list-style-type: none"> 1. Identified all the duplications, reconciling items and misallocation in the system 2. Investigated and engaged CCG on all the unsupported reconciling items which they are busy reversing them from the system. 3. We will ensure that all the all the reconciling items are resolved as soon as they are identified. 4. We will ensure that Bank | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|---|---------------------------|-------------|--|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|---|--|
| | | | | | | | | | | | reconciliations are properly prepared and reviewed. | |
|--|--|--|--|--|--|--|--|--|--|--|---|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---------------------------------|--|---|---|---------------------|-------------|--|-----------------|--|---|
| AAP16927-2023 | impairment of Trade Receivables | <p>Contrary to the above requirements, the impairment methodology relating to Receivables from non-exchange and exchange that has been implemented by management has been identified by the auditor to constitute the discounting of outstanding debtors as opposed to the impairment of the amount outstanding.</p> <p>In the methodology implemented by management, management present values of the amounts outstanding according to the days outstanding, starting from 30 days to 180+ days. Management then subsequently compare the difference between the discounted amount and the full outstanding balance as per the age analysis and disclose this amount as debt impairment for the year. This however reflects the time value of money but does not reflect the likelihood of debtors not paying their outstanding balances to the municipality.</p> <p>The purpose of impairment is to present a loss in the value of</p> | Management didn't develop an impairment methodology but used GRAP 104 to calculate the Impairment | o | Ndivhuho Tshishonga | 31-May-2023 | <ol style="list-style-type: none"> 1. Develop a Debt Impairment Methodology inline with GRAP 104 2. Calculate debt impairment based on the Methodology developed | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---------------------------------|--|---|---|---------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|
| | receivables. Thus it is the auditor's conclusion that the impairment amount that has been disclosed reflects the discounting of amounts outstanding and not the impairment thereof. | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|--|---------------------------------------|---|--|-------------|---|-----------------|-------------|--|---|
| AAP16929-2023 | Contingent Liability-difference between prior year and current year corresponding | Contrary to the above requirement, during the audit of contingent liabilities we noted the difference between corresponding amounts per current year financial statements and prior year adjusted financial statements. Refer to the table below: | Not provided | 4 | Amos Thulani Ndzimande | 13-Jan-2023 | Disclosures for corresponding amounts per current year and prior year financials will be properly disclosed on the AFS The matter was resolved through the adjustments submitted to AG | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16932-2023 | Trade Receivables-Billing of own account | Contrary to the above requirement, it has been noted by the auditor that the municipality has disclosed amounts in the age analysis from its own properties and accounts. This misstates the amount of Receivables from Non-Exchange as well Consumer Debtors due to the fact that the municipality cannot reasonably owe itself any monies. The municipality does not have any rights to receive these monies as it cannot pay itself. The below are the amounts serves as an example of the total balances as per the 2021-22 age analysis that have been noted by the auditor to be relating to the billing of the municipality's own accounts: | Municipal Properties billing services | 4 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 30-Apr-2023 | 1. Write an item to Council to reverse Municipal Account Billing 2. Reverse the Municipal Billing 3. Suspend the Billing on all Municipal Accounts | Not Yet Started | 10-Jan-2023 | Item to Council was prepared and approved by Council | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|---|--|--|---|--|-------------|---|-------------|-------------|---|---|
| AAP16938-2023 | Payables from exchanged transactions-completeness of trade payable and accruals | <p>During the audit of completeness of payables from exchange transactions – trade payables we noted that an invoice was received before year end however was not recorded on the trade payables schedule/listing:</p> <p>Furthermore, contrary to the above GRAP 19 definition of an Accrual, we noted that the municipality received services for the below suppliers prior to year-end, 30 June 2022 however they had not received the invoices from the suppliers. The invoices were subsequently received from the service providers after year; however, the municipality has not accounted for the year end accruals:</p> <p>Based on the GRAP 19 requirement, where the services have already been received but an invoice has not yet been received from the supplier at year end, an accrual needs to be raised and where necessary an</p> | <p>1.System challenge. 2.Misinterpretation of GRAP 19 3.Lack of proper review of the creditors listing</p> | 2 | Amos Thulani Ndzimande , Isaiah Tselagale Mokganya | 13-Jan-2023 | <p>FINDING 01</p> <p>1.Investigate the whole population as per the auditors recommendation. 2.Identify similar transactions as the ones that the auditor has raised. 3.Compile a listing of all transactions that needs to be reversed from the creditors listing 4.Engage CCG to assist with reversing all the identified transactions from the system.</p> <p>FINDING 02</p> <p>1.we are going to go through all the invoices that which was submitted after year year (July-September) 2.Identify the suppliers that who rendered the services in the previous year but only submitted their invoices in the current year with the current year invoice date 3.compile an accrual listing for all identified suppliers</p> | In Progress | 11-Jan-2023 | <p>1.We went back to the whole population as per the auditors recommendation. 2.We identified similar transactions as the ones that the auditor has raised. 3.Compiled a listing of all transactions that needs to be reversed from the creditors listing 4.Engaged CCG to assist with reversing all the identified</p> | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|--|---|--|-------------|---|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--------------------------------------|--|
| | estimate can be made of the amount to be paid. | | | | | <p>4. We will then derecognise the liability in the current year and, recognise the liability in the previous.</p> <p>>Going forward we will ensure that all invoices are thoroughly scrutinise at year end to avoid the reoccurrence of the finding in the current year.</p> | | <p>transactions from the system.</p> | |
|--|--|--|--|--|--|--|--|--------------------------------------|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--------------------|---|------------------------------------|---|---|-------------|---|-------------|-------------|--|---|
| AAP16943-2023 | SCM Non-Compliance | The below tender of R30 million was advertised with a specific tendering condition that the successful bidder must subcontract a minimum of 30% of the value of the contract. On inspection of the below winning bidders signed tender document, the winning bidder did not allocate any portion of the contract to a sub-contractor. | Inspection of the tender documents | 0 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 13-Jan-2023 | <ol style="list-style-type: none"> 1. Updating of UIFWE register as 30 June 2022 2. Tabling UIFWE to council for further investigation 3. To review the SCM Policy to be aligned to the new PPR 2022 | In Progress | 10-Jan-2023 | <ol style="list-style-type: none"> 1. Management updated the transactions in the Irregular Expenditure register for 2021/22 financial year 2. Management is in the process of submitting the UIFWE to council for probing 3. Management is in the process of reviewing the SCM policy to be aligned to the new PPR 2022 | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--------------------|---|------------------------------------|---|---|-------------|---|-------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|--|---|--|-------------|---|-------------|-------------|---|---|
| AAP16952-2023 | Payables from exchanged transactions – trade payable Valuation-reconciliation | During the audit of Trade payables and the understanding of the business process it was noted that management does not prepare monthly and/or year-end reconciliation for their creditors. The above was confirmed through the understanding of the payables from exchanges transactions business process. Errors and/or differences will not be identified timely or at all due to the lack of a creditor's reconciliation | Lack of creditors reconciliation for the regular suppliers of the municipality | 0 | Amos Thulani Ndzimande , Isaiah Tselagale Mokganya | 30-Jun-2023 | Perform creditors reconciliations for our regular suppliers in a format as recommended by the AGSA, where we compare the suppliers' balance as per the financial system with the suppliers balance as per the supplier's statement. | In Progress | 11-Jan-2023 | we are performing creditors reconciliations for our regular suppliers in a format as recommended by the AGSA, where we compare the suppliers' balance as per the financial system with the suppliers balance as per the supplier's statement. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|--|---|--|-------------|---|-------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|---|--|--|-------------|--|-------------|-------------|---|---|
| AAP16955-2023 | 2. Trade Payables – Creditors balances incorrectly valued | <p>During the audit of Trade payables, we noted that the following suppliers have a negative/debit balance as per the trade payables listing:</p> <p>Upon the testing of the above items it was noted that the municipality received the invoice from the supplier and subsequently made the payments relating to the suppliers invoices, however the balance of the supplier as at year end reflected a negative balance and therefore has been incorrectly valued.</p> <p>Furthermore, the above has resulted in the balance of the Trade payables being understated as the debit balances has reduced the overall balance of trade payables.</p> | <p>>Challenge in receiving the debit order invoices</p> <p>>Suppliers returned/Bounced payments due to invalid bank accounts</p> <p>>System duplicated EFT transactions.</p> | | Amos Thulani Ndzimande , Isaiah Tselagale Mokganya | 30-Jun-2023 | <p>1.Communicate with all service providers that the municipality pay through debit orders requesting them to submit their invoices before or just after they debit our account. After the communication we have seen the improvements interns of submitting their invoices early.Some service providers have linked us to their system to ensure that we are able to print invoices and statements on our own.</p> <p>2.Compile a listing for all the returned/bounced payments and, all those the transactions on the listing will be moved from the ageing to a separate line items under payables from exchange transactions note.</p> <p>3.Reverse all the system duplicate EFT transactions.</p> | In Progress | 11-Jan-2023 | <p>1.We have communicated with all service providers that the municipality pay through debit orders requesting them to submit their invoices before or just after they debit our account. After the communication we have seen the improvements interns of submitting their invoices early.Some service providers</p> | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|--|--|-------------|--|-------------|-------------|---|---|

Audit Action Plan
Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | <p>have linked us to their system to ensure that we are able to print invoices and statements on our own.</p> <p>2.we have compiled a listing for all the returned/bounced payments and, all those the transactions on the listing will be moved from the ageing to a separate line items under payables from exchange</p> |
|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan
Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--------------------|
| | | | | | | | | | | | transactions note. |
|--|--|--|--|--|--|--|--|--|--|--|--------------------|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|---|---|------------------------|-------------|--|-----------------|--|--|---|
| AAP17002-2023 | Payable from exchanged transactions- Retention | Contrary to the above requirement, during the testing of Retention disclosed in note 14, the following difference was identified between the auditor's recalculation based on the completion/payment certificates and the amount as per the retention register: | Manual recognition of retention raised and paid | 2 | Amos Thulani Ndzimande | 13-Jan-2023 | Contract Module on CCG systems to be used to avoid errors as a results of manual capturing of retentions 1.The Retention register will be reworked to support the figures listed on the opening balances for each individual contractor 2. Amounts not supported by any documentation will be investigated and Journals will be posted where necessary | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|---|---|---|------------------------|-------------|--|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|---|---|---------------------------|-------------|---|-------------|-------------|--|---|
| AAP17004-2023 | Contrary to the above requirement, during the testing of the prior year adjustments relating to Payables from exchange transactions note 14 the following adjustment was made and disclosed as per note 47 as management could not provide supporting | Contrary to the above requirement, during the testing of the prior year adjustments relating to Payables from exchange transactions note 14 the following adjustment was made and disclosed as per note 47 as management could not provide supporting evidence for the below amounts: "Payables from exchange transactions - Other creditors - Sundry creditors - Trade creditors and payroll accruals and Accumulated surplus - Prior period error - During the current year review of the trade creditors listing, sundry creditors and payroll accruals, it was identified that the payables was overstated as a result of previous migration of the system which cannot be supported, as a result it was decided to write off the unsupported differences to accumulated surplus. This resulted in an adjustment of trade creditors amounting to R136 096 664, other creditors amounting to R555 909 sundry creditors amounting to R22 | >System limitation. > Lack of council resolution to support the correction made on the opening balances. | o | Isaiah Tselagale Mokganya | 28-Feb-2023 | Prepare an item to council requesting approval to make adjustments on the Payables from exchange transactions opening balances. | In Progress | 11-Jan-2023 | We have prepared an item to council requesting approval to make adjustments on the Payables from exchange transactions opening balances. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|---|---------------------------|-------------|---|-------------|-------------|--|---|

Audit Action Plan
Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | | | | | | | | | | |
|------------------|----------------|--|----------------|----------------|-----------------|------------|------------------|---------------|------------------|---------------|--|--|--|--|--|--|--|--|--|
| | | <p>014 815 and payroll accruals amounting to R17 624 331. Also impacted on the accumulated surplus prior period amounting to R176 291 719.”</p> <p>The resulting effect of the above on the AFS note 14 payables from exchange transaction is a reduction of the opening balances as follows: Note 14 - Line item Adjustments made to the opening balances</p> <table border="0"> <tr> <td>Trade payables</td> <td>136 096 664,00</td> </tr> <tr> <td>Other creditors</td> <td>555 909,00</td> </tr> <tr> <td>Sundry creditors</td> <td>22 014 815,00</td> </tr> <tr> <td>Payroll accruals</td> <td>17 624 331,00</td> </tr> </table> <p>Upon further testing of the above adjustment, the Action plan was assessed to identify the corrective action that was planned to be followed and the below was noted:</p> <ul style="list-style-type: none"> • Management will ensure that there are listings that support these unsupported balances • These listing will be investigated and a report prepared once investigation is complete • The report will be presented to | Trade payables | 136 096 664,00 | Other creditors | 555 909,00 | Sundry creditors | 22 014 815,00 | Payroll accruals | 17 624 331,00 | | | | | | | | | |
| Trade payables | 136 096 664,00 | | | | | | | | | | | | | | | | | | |
| Other creditors | 555 909,00 | | | | | | | | | | | | | | | | | | |
| Sundry creditors | 22 014 815,00 | | | | | | | | | | | | | | | | | | |
| Payroll accruals | 17 624 331,00 | | | | | | | | | | | | | | | | | | |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|
| | | <p>Council and an approval to write off the unsupported balance requested from Council (in a council meeting) We requested management to provide the supporting documents as mentioned above however only the listings that relate to the balances could be provided however no evidence of the investigation of the listings being done and the subsequent report prepared to provide the results of the investigation and furthermore, no evidence of the report being presented to council and the relevant approval to write off these unsupported balances from council. The adjustment therefore is not sufficiently supported and a proper process does not appear to have been implemented before writing off the amounts as per the above process.</p> <p>Management were further engaged and it was confirmed that the write off was processed without the investigation report and presentation to council and request</p> | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|
| | | <p>to approve the write off, so the process to write off the amounts were not followed. Which indicates that there is not sufficient support for the "write off" made to the opening balances of the payables from the exchanges transactions line items.</p> | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|--|---|---------------------|-------------|--|-----------------|-------------|---|---|
| AAP17009-2023 | Interest Income-Difference on schedule and GL | Contrary to the above requirement, during the audit of revenue from non-exchange transactions we noted the interest income recorded in the interest schedule differs from the amount recorded in the GL. The results of the finding indicate an understatement of interest income. The detail of the finding is as follows: | The difference was due to Incorrect allocation of interest income for the first three months of the financial year | 0 | Ndivhuho Tshishonga | 30-Apr-2023 | 1. Reconcile the migrated transactions from Sebata to Sage and identify any misallocation 2. Prepare a journal to address the differences noted | Not Yet Started | 10-Jan-2023 | Reconciled the migrated transaction of the 1st three months (July 21 to Sept 21) and noted that the Interest transactions were posted to the incorrect Vote | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|--|---|---------------------|-------------|--|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-------------------------------------|---|---|---|-------------------------------|-------------|---|-----------------|-------------|---|---|
| AAP17010-2023 | Water and Sanitation Non Compliance | Contrary to the above requirement, during the physical inspection of the Namakgale Wastewater Treatment and Phalaborwa Wastewater Treatment site we noted that there were assets that were identified that are broken and without maintenance, furthermore there is a generator bought and never used since purchase date. The finding is supported by the following pictures of the broken assets. The detail of the finding is as follows | Mopani District did not repair to damaged infrastructure reported by Ba-Phalaborwa Municipality | 4 | Sello Madiope, Gift Hlungwani | 13-Jan-2023 | BPM will inform MDM of the damaged infrastructure | Not Yet Started | 10-Jan-2023 | <ol style="list-style-type: none"> 1. MDM was informed of all the damaged infrastructure on waste water. 2. MDM has issued requisition to repair generator. 3. MDM has issued requisition to repair the airators | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------------------|---|---|---|-------------------------------|-------------|---|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|------------------------------|--|---|---|----------------------------------|-------------|--|-----------------|--|---|
| AAP17011-2023 | Waste water disposal license | <p>Contrary to the above requirement, during the audit of water and sanitation, we noted that the municipality is operating the wastewater treatment plants without a water use license, this result in a non-compliance with the requirement of Department of Water and Sanitation.</p> <p>We noted further that the municipality did not establish an environmental policy / strategy, and there are no any other documented processes to address the identification and monitoring of environmental risks relating to waste water management.</p> | Management disagreed wit the finding. Awaiting AG comments | 4 | Sello Madiope, Gift Hlungwani | 13-Jan-2023 | <p>1. The finding is not the responsibility of Ba-Phalaborwa Municipality</p> <p>2. The COMAF will be referred to MDM so that they attend to the license</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|------------------------------|--|---|---|----------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|-----------------------------|---|---|---|--|-------------|--|-----------------|--|---|
| AAP17012-2023 | Vat Misstatement identified | <p>During the performance of the audit relating to journals it was noted that management has not calculated VAT appropriately on prepaid electricity. In addition, management has also passed the same journal twice, resulting in double counting of the VAT amount.</p> <p>Please refer to the below for the misstatements:</p> <p>1) Journal: JBR00190 Management calculated a VAT amount of R5 561 892,60 relating to Prepaid Electricity revenue and receipts for the financial year. The auditor recalculated the VAT amount on these transactions and the re-calculated amount was R4 836 467,48 This amounts to a difference of R725 425,12</p> <p>2) Journal: JBR00222 Management erroneously posted the same journal twice. This was the second such journal and was posted as follows:</p> | <p>i. Incorrect Accounting of Vat</p> <p>ii. Vat Journal posted twice on the system</p> | 0 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 13-Jan-2023 | <ol style="list-style-type: none"> 1. Review The GL and identify any other duplicate Journal 2. Propose a Journal to reverse the duplicate 3. Reverse the incorrect accounting of VAT 4. Review the working papers to ensure that Vat is accounted correctly | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-----------------------------|---|---|---|--|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|--|-------------|---|-----------------|--|--|---|
| AAP17014-2023 | Budget Statement-Reasons for variance not valid | During the audit of statement of comparison between budget and actual, we noted that management did not disclose explanation of material differences between for the following items below: We further noted that the following material variance explanation were not relevant. Refer to the below table | Oversight when reviewing the AFS | 4 | Amos Thulani Ndzimande | 31-Aug-2023 | Reasons for variance provided will be validated and reviewed prior submission of the Annual Financial Statements to the Auditor General | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17015-2023 | Cash Flow Statement-calculation differences identified | During the recalculation of the Cashflow Statement, we noted the differences between the auditors' recalculations and the amount as per the Cashflow statement submitted for audit | Investigation still to be made since the COMAF was issued after the AR was issued | 0 | Amos Thulani Ndzimande , Isaiah Tselagale Mokganya | 13-Jan-2023 | Engage AGSA to understand their calculations. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|------------------------------------|---|--|---|--|-------------|--|-----------------|-------------|--|---|
| AAP17275-2023 | AoPO Inconsistencies identified | During the audit of the Basic Service Delivery key performance area (KPA), the following misstatements were identified: Inconsistencies between the actual reported achievement in the annual performance report (APR) and the portfolio of evidence (POE) submitted. Number of indigent HH receiving free basic electricity by 30/06/2022 Achievement per register 507 Achievement per APR 421 Variance -86 | Lack of adequate review of APR before finalizing for reporting purposes. | 2 | Ndivhuho Tshishonga , Modise Mashale, Mphoyi Malesa, Sello Madiope | 30-Jun-2023 | 1. Review the APR Quarterly and Annually against the POE 2. Differences noted adjusted before APR is approved. | Not Yet Started | 10-Jan-2023 | Finding resolved through adjustment. POE aligned to reported progress on the APR by removing duplicates. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17292-2023 | Inconsistencies APR and POE | Inconsistencies between the actual reported achievement in the annual performance report (APR) and the portfolio of evidence (POE) submitted. Number of indigent HH receiving free basic electricity by 30/06/2022 System generated report- 507 APR Actual- 421,0 Difference - -86 | Lack of adequate review of APR before finalising for reporting purposes | 2 | Ndivhuho Tshishonga , Malishelane Chueu, Sello Madiope | 30-Jun-2023 | 1. Review the Quarterly Performance Reports and Draft Annual Report against the POE prior submission to PMS office. 2. Address differences prior submission to PMS. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|--|---|---------------------------------------|-------------|---|-----------------|-------------|--------------------------------|---|
| AAP17316-2023 | Basic Service Delivery – Inconsistencies and differences identified when testing reliability | <p>During the audit of predetermined objectives (AoPO), the following exceptions were noted: Number of urban households with access to basic waste removal services (Phalaborwa town, Gravelotte, Namakgale and Lulekani by 30/06/2022</p> <p>1. The following items were selected from the billing report but could not be traced back to the listing: Account 2588- MARAIS - Phalaborwa Refuse Removal 948 - VOLLE EVANGELIE KERK VEK - Phalaborwa Refuse Removal</p> <p>2. We noted that the councilors confirm that the waste service has been rendered however; their confirmations are not accompanied by the list of households that they are confirming for. They only state ward number, as a result, we cannot confirm the number of households based on the supporting documentation submitted for number of urban households with</p> | Inaccurate methods used to develop the listing | 1 | Steve Mokhabukhi, Ndivhuho Tshishonga | 31-Mar-2023 | 1. Develop a list of Households in urban areas according to daily waste collection schedule | Not Yet Started | 10-Jan-2023 | Collection of data in progress | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|---|--|---|---------------------------------------|-------------|---|-----------------|-------------|--------------------------------|---|

Audit Action Plan
Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|--|
| | access to basic waste removal services. | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--------------|--|---|--|--|-------------|--|-------------|-------------|--|---|
| AAP27508-2023 | Depreciation | <p>It was determined during the audit that the depreciation amount as per asset register is different from auditors recalculated depreciation amount on infrastructure, community and movable assets. Refer to the table below:</p> <p>1. Description: Infrastructure - Depreciation Amount as per FAR: -55 074 795 Recalculated amount: -38 893 180,27 Differences: -16 181 615</p> <p>2. Description: Community - Depreciation Amount as per FAR: -12 860 375 Recalculated amount: -14 434 951,61 Differences: 1 574 577</p> <p>3. Description: Movables – Depreciation Amount as per FAR: -2 154 129 Recalculated amount: -2 383 286 Differences: 229 157</p> | Manual calculation of depreciation resulted in human errors | | Amos Thulani Ndzimande , Doron Peter Maswanganyi | 30-Jun-2023 | <p>Use of Asset management module on CCG systems to avoid human errors</p> <p>The Finding was resolved after adjustment of the AFS</p> | In Progress | 13-Jan-2023 | The Finding was resolved through AFS adjustment. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--------------|--|---|--|--|-------------|--|-------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|-------------------------------|---|--|-------------|--|-----------------|-------------|--|---|
| AAP27510-2023 | Fruitless and wasteful Expenditure – Note 51 | <p>Contrary to the above requirements, during the audit of fruitless and wasteful expenditure we noted inconsistency between the narration and the amount written off in the current year. The narration as per note 51 of AFS states that the balance of R4 722 631 still needs to be tested against available evidence, therefore should not have been written off. However, management disclosed amount of R4 722 652 as the amount written off in the current financial year.</p> <p>The above represent incorrect presentation of the disclosure note no 51 in the annual financial statements.</p> | Lack of management oversight. | 0 | Isaiah Tselagale Mokganya, Amos Thulani Ndzimande | 30-Jun-2023 | 1. Proper review of the disclosure notes before submission of the AFS to the AGSA. | Not Yet Started | 12-Jan-2023 | The finding was subsequently resolved by amending the fruitless expenditure narration under note 51. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|-------------------------------|---|--|-------------|--|-----------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|--|--|---|------------------------------------|-------------|---|-----------------|-------------|--------------------|---|
| AAP16794-2023 | <p>Overtime registers without dates</p> <p>1 B0020 NDLOVU OS November 4 658,64 2 A519 NKUNA MC November 9 254,02 3 A071 NGOBENI J November 3 993,12 4 B0049 SHIRINDZA R November 3 893,76 5 132 MALATJI JM November 5 785,85 6 94 MALONGANE November 5 651,94 7 A497 MAHASHA S I November 4 658,64 8 B0013 KHOZA DT November 4 658,64 9 A275 MATHONSI TN November 4 658,64</p> <p>47 213,25</p> | <p>Overtime registers (overtime hours sheet) without dates</p> <p>Contrary to the above requirements, we have identified that there are no dates on the overtime register/sheets used to record the overtime hours worked by the staff members. Within the overtime sheets kept, only hours (time-in and time-out) are recorded which made it impractical to confirm that overtime is actually worked as dates are not indicated. Refer to the following table, listed are the staff members whose overtime could not be verified:</p> | <p>End users used old forms</p> <p>Inadequate review</p> | 1 | Yvonne Mashele, Jacqueline Phakula | 13-Jan-2023 | <p>1. Relevant departments to provide report on overtime register without dates to confirm to HR if overtime was actually worked. If not valid request refund from employees.</p> <p>2. Review the overtime forms, the identified overtime registers without dates will be referred back to the relevant departments to avoid non-compliance.</p> | Not Yet Started | 10-Jan-2023 | No yet implemented | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|--|---|------------------------------------|-------------|---|-----------------|-------------|--------------------|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|---|---|--|-------------|---|-----------------|--|--|---|
| AAP16825-2023 | Indigent - Customers on the Eskom Beneficiary and not on the Indigent Register AoPO | During the audit of Basic Service Delivery key performance area (KPA), we noted that there are customers who are included in the Eskom beneficiary listing whereas the application dates as per the application forms does not relate to the current financial year. The following table outlines the details | Eskom not updating the beneficiaries as per the Indigent register | 2 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 30-Apr-2023 | 1. Write a letter to Eskom, to update the beneficiary list using the current Indigent Register 2. Request Eskom to refund the Municipality, on the subsidies provided to customers who are not on the indigent register. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16877-2023 | Indigent Forms not Traced to the Indigent Register - (AoPO) | 4. The following application forms were selected from the 2021/22 indigent files but they could not be traced to the indigent register: | Indigent Registration not done in 2020 due to COVID | 2 | Amos Thulani Ndzimande , Ndivhuho Tshishonga | 30-Apr-2023 | 1. Review the indigent register and ensure that its complete and any differences noted must be investigated and cleared. 2. Review the evidence provided for APR is aligned to the Indigent register | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--|--|--|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP16901-2023 | Inadequate IT Service performance review | <p>The municipality had a documented Service Level Agreement (SLA) with CCG Systems (Pty) Ltd for the SAGE 200 and SAGE300 systems which replaced the SEBATA and PayDay systems. However, the following weaknesses were noted:</p> <ul style="list-style-type: none"> • The SLA did not include the following key elements: <ul style="list-style-type: none"> o Cost of service; o Quantifiable minimum service level; o Availability of services; o Support procedures and call logging procedures; o There is no clause specifically included in the agreement on how the software licenses are to be maintained o Cost of service and basis used for calculation of charges. • Although management have recently introduced an Assessment for Service Provider Forms in September 2022, this was not used during the period under review, therefore there was no process in place to formally monitor the | <p>-Oversight during the Development of the SLA</p> <p>- Update the SLA Assessment</p> | o | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Update the SLA to include those include identified weaknesses should ensure that the services provided by CCG are monitored and reported to the steering committee on a regular basis.</p> <p>The SLA with CCG will be updated to include sections covering:</p> <ul style="list-style-type: none"> • Cost of service; • Measurable minimum service level; • Service availability; • Call logging and support procedures; • The CCG services will be monitored using Assessment for Service Provider Forms | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|--|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|
| | services that were being provided by CCG. | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-----------------------------------|--|---|---|---------------------------------------|-------------|---|-----------------|--|--|---|
| AAP16902-2023 | Ineffective IT Steering Committee | The municipality had a documented and approved ICT Charter which is used as the IT steering committee's terms of reference. Through inspection of the ICT Charter, it was noted that the committee should sit on a quarterly basis. However, it was noted that the IT steering committee only sat on 24 February and 18 May 2022 during the financial year under review. In addition, it was noted that the committee did not review and monitor the IT budget as one of its key responsibilities. | Lack of Chairperson of ICT Steer com and Meeting was not convening due to quorum not been met | 0 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | Appointment an independent ICT Steering Committee Chairperson A meeting schedule will be implemented for the IT Steering Committee Escalate the nonattendance of the members to the Municipal Manager | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-----------------------------------|--|---|---|---------------------------------------|-------------|---|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|-----------------------------------|---|---|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP16903-2023 | Outdated ICT governance documents | <p>The following key ICT governance documents were noted to be outdated:</p> <ul style="list-style-type: none"> • ICT Governance framework; • ICT Strategic plan; • Password policy; • Backup policy; • ICT Security Policy did not address the following: <ul style="list-style-type: none"> o (User account suspension, Password reset request, o Monitoring of system controller actions on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.) and Monitoring of user's activities on the operating system level). o Additional devices with access to sensitive information has been identified and requires additional access control to access this information. o Change notifications to the administrator's group being required by policy for all devices, operating systems, databases, and | Inadequate Security Policy and Limited Capacity on the review of ICT Strategic Plan | 2 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Review of the ICT Policies and Development of Procedure /Standards</p> <p>Procure capacity and expertise to assist in updating all ICT governance documents, perform a policies/ procedures gap analysis and develop new and emerging ICT policies.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-----------------------------------|---|---|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|
| | applications. o Asset removal and procedure. | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|-------------------------------------|---|--|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP16904-2023 | Inadequate Patch management process | <p>As previously reported in 2019-20 and 20-21, there was an approved patch management policy in place, however, the patch management policy was inadequately implemented as the following weaknesses were identified:</p> <ul style="list-style-type: none"> • Security updates were deployed manually for all machines and as a result, the information systems department relied on users to scan for updates. • Monitoring was not performed for the security patches. <p>Patches are designed to correct known bugs, loopholes and problems within programmes and systems which are targeted by hackers and malware. Inadequate patch process could result in the Municipality not receiving early warnings of alerts, advisories, and patches pertaining to attacks and vulnerabilities. This could compromise preventive, and detective security measures implemented by the Municipality.</p> | Inadequate Implementation of Patch management policy | 2 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Review of the Patch management Procedure and Implementation of group Policy</p> <p>Implement an automated patch management system such as Windows Server Update Services (WSUS).</p> <p>Deploy automated tool such as ManageEngine Patch Manager Plus for the monitoring of security updates.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------------------|---|--|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|----------------------------------|---|--|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP16905-2023 | Inadequate Anti-virus management | <p>o Although Management have renewed the license for the Antivirus software in July 2022, the antivirus was not functional for the period under review. As a result, the previously reported issues in 2019-20 and 2020-21, had not been resolved. The following weaknesses were identified:</p> <ul style="list-style-type: none"> • The municipality did not have a console or centralised process of ensuring that all client machines had the latest antivirus software and did not keep track of the machines that had failed/successfully downloaded the latest antivirus updates. • There was no formal process to regularly monitor or review exceptions. <p>Inadequate management, deployment and monitoring of anti-virus software may result in the spread of malicious software such as viruses and worms within the municipality which may lead to loss of data and non-availability of key</p> | inadequate antivirus management controls | 2 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Development of Anti-Virus Procedure Manual</p> <p>Deploy an Endpoint Antivirus software with a centralised console to manage all clients on the network.</p> <p>Actively manage the centralised console and ensure that all clients get the latest antivirus signatures, and all exceptions are managed and resolved.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|----------------------------------|---|--|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| | business applications/ systems and services. | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--------------------------------|--|---|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP16906-2023 | Inadequate Firewall management | <p>During the period under review, it was established there was no firewall that was fully functional as the contract with the vendor had expired. The firewall was only used to filter traffic and there was nothing else that could be done on the firewall.</p> <p>Without monitoring of the firewall logs, network attacks, intrusions, and other vulnerabilities and unauthorised access could go undetected until network resources have been significantly damaged. Furthermore, inadequate log file management and review denies firewall administrators a source of information useful in detecting attacks. Lack of commentary of the firewall rules, makes reviewing, changes and understanding impractical. Unapproved firewall rules could lead to non-compliance for firewall security standard.</p> | Inadequate implementation of incident Procedure | 2 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Update the firewall procedure.</p> <p>Renew the firewall contract or deploy new firewall/s.</p> <p>Introduce procedures to periodically review firewall logs, to identify instances of possible unauthorized access or network attacks.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--------------------------------|--|---|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--|--|-------------------------------|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP16907-2023 | Lack of security incident management and security awareness training | <p>It was noted that the following password setting we not configured as per the password policy:</p> <p>It was noted that the audit logging settings were not configured in the Microsoft Server 2022 which was recently implemented.</p> <p>Unauthorised access to the applications and network may be gained via weak password configuration management which could impact on the integrity of the business data.</p> | Implementation of server 2022 | 2 | Roger Seretse Chuene, Prince Nkhwashu | 31-Jan-2023 | <p>Alignment of the Password setting with the Policy.</p> <p>Update all password parameters to include:</p> <ul style="list-style-type: none"> • Minimum length • Maximum age of 45/60 days • Alphanumeric complexity • Lockout after three (3) failed login attempts. <p>Configure audit logging settings on Microsoft Server 2022</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|-------------------------------|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|--|---|---|-------------|--|-----------------|-------------|---|---|
| AAP16908-2023 | Inadequate password settings and audit logging | The municipality has not identified and documented in a policy the sensitive information which is within its environment. Lack of a sensitive information inventory/record could result in loss of the organisations' confidential information. This may also result in noncompliance with the POPIA exposing the Municipality to possible fines or litigation. if any data is leaked. | Lack of Privacy Policy | 2 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | Engage with communication manager to develop and implement a Privacy policy | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP16946-2023 | Deficiencies DTI and sub-contracting | During the audit of the below quotations the below issues were identified: <ul style="list-style-type: none"> • No proof could be obtained from the municipality that the DTI was notified of the winning bidder and the value of the contracts. • No proof could be obtained that the copies of the contract, the SBD/MBD 6.2 certificates submitted by the successful bidders were submitted to DTI. • The bid document did not stipulate that the rates of exchange quoted by the bidder in the bid | Lack of knowledge, however the officials has been capacitated thereafter | 2 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 13-Jan-2023 | 1. Review of the SCM Policy to be aligned to the new PPR 2022 in terms of removing the local content section | In Progress | 10-Jan-2023 | Management is in the process of reviewing the SCM Policy to be aligned to the new PPR 2022 in terms of removing the local content section | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | document will be verified for accuracy. | | | | | | | | | | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|----------------|---|---|-------------|---|-----------------|-------------|---|---|
| AAP16948-2023 | Irregular Expenditure- internal control difficiency in irregular expenditure register | <p>Contrary to the above requirements, during the review of the irregular expenditure register (Both current year and opening balance) we noted the following internal control deficiencies:</p> <ul style="list-style-type: none"> Ø The irregular expenditure register does not include column for legislative requirement not complied with, Ø In some instance the irregular expenditure register does not include the description of the incidents, “Refer to tab 2019 and 2020 of the submitted opening balance irregular expenditure register” Ø In some instance the irregular expenditure register is generalizing the non-compliance as follows instead of specifying the non-compliance for each irregular expenditure: Refer to all tabs of the IE register. <ul style="list-style-type: none"> • Various operational expenditure incurred without following proper SCM procedures, • Various operational procurement | Lack of review | 1 | Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 13-Jan-2023 | To include the description of the incidents in 2019 and 2020 financial year | Not Yet Started | 10-Jan-2023 | In the process of updating the register | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|----------------|---|---|-------------|---|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|
| | made without following proper supply chain procedures, <ul style="list-style-type: none">• Appointed consultants to execute project without following other supply chain process. | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|----------------------------------|---|---|-------------|--|-----------------|-------------|--|---|
| AAP17013-2023 | UIFW- incomplete presentation and Disclosure | Contrary to the above requirement, during the audit of unauthorised, fruitless and wasteful and irregular expenditure on note 50, 51 and 52 respectively, we noted that the municipality did not disclose the particulars of non-compliance not complied with in the annual financial statements: Refer to the following for more details on non-compliance identified and an example of how the unauthorized, fruitless and wasteful and irregular expenditure note may be presented can be found in Annexure D of MFMA Circular 68. Irregular Expenditure Unauthorized Expenditure Fruitless and wasteful expenditure: | Lack of proper review of the AFS | 1 | Isaiah Tselagale Mokganya, Amos Thulani Ndzimande , Willard Ntsoatsoail e Selepe | 30-Jun-2023 | Alignment of the disclosure note no. 50,51 and 52 as per the Annexure D of MFMA Circular 68. | Not Yet Started | 10-Jan-2023 | To be resolved during the preparation of draft AFS | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|----------------------------------|---|---|-------------|--|-----------------|-------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|---|--------------------------|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP17049-2023 | No sign-off by management for roles allocated on SAGE 200 | <ul style="list-style-type: none"> It was noted that the users created on the SAGE 200 were migrated from the SEBATA system which was decommissioned. However, there was no evidence provided to the Auditors of management sign-off for the roles allocated to the users in the SAGE 200 system. The SEBATA system was operational from the start of the financial year until after the SAGE200 go live in September 2021. However, the ICT department did not have access to this system to provide the Auditors with information relating to the management of controls during this period as the vendor provided BLM with a database which they cannot open system. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Implementation user of user access procedure</p> <p>Introduce user access forms signed by management for all users on the SAGE 200 system.</p> <p>Liaise with SEBATA for them to provide the Municipality with an accessible database.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|--------------------------|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17050-2023 | No Privacy Policy | The municipality has not identified and documented in a policy the sensitive information which is within its environment. Lack of a sensitive information inventory/record could result in loss of the organisations' confidential information. This may also result in noncompliance with the POPIA exposing the Municipality to possible fines or litigation. if any data is leaked. | Lack of Privacy Policy | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | Engage with communication manager to develop and implement a Privacy policy | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17051-2023 | No formalized process in place for resetting of user passwords | <ul style="list-style-type: none"> There is no formalised process in place for the resetting of user passwords. In addition, user passwords are reset without completing a form as required by the password policy under section 8.12. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Conduct an audit of AD users and identify duplicate and any unauthorised accounts and terminate such accounts immediately. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17052-2023 | User access rights not reviewed | <ul style="list-style-type: none"> The activities performed by the system administrator were not performed during the period under review. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Review system administrator activities on a monthly/quarterly basis. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|-----------------------------|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17053-2023 | Account Admin not allocated | The account "Admin" is not allocated to a specific user, and it is active. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Review system administrator activities on a monthly/ quarterly basis.</p> <p>Review access rights on the SAGE 200 system on a monthly/ quarterly basis.</p> <p>Disable the generic Admin Account and assign Admin Accounts to individual administrators with a unique username and password for traceability of admin activities on the system.</p> | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-----------------------------|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|--|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17054-2023 | DRP not aligned to the current ICT application infrastructure | The current DRP within the Municipality is not aligned to the current ICT application infrastructure as it was not updated to include the new systems implemented and it is still making reference to the Legacy systems (SEBATA and Payday). | Lack of review of the Plan and none Implementation of the Plan | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | <p>Review DRP and center, Establish the DR site</p> <p>Review and align the DRP to the current Municipality ICT application infrastructure.</p> <p>Establish and operationalize an offsite DR site</p> <p>Test the DRP twice a year.</p> | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|--|---|---------------------------------------|-------------|--|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---------------------------|---|--|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17055-2023 | No Disaster Recovery site | <p>). In addition, the following weaknesses were noted:</p> <ul style="list-style-type: none"> • The DRP indicated that if any hardware fails, then the application should be loaded on the DR site. However, the municipality did not have a DR site although there is a signed Memorandum of understanding with Giyani Municipality to host the DR site there. • The Disaster Recovery Plan was not tested for the period under review. <p>This increases the risk that the municipality may not be able to recover and continue significant systems, operations, and processes in a timely manner in the event of a disaster</p> | Lack of review of the Plan and none Implementation of the Plan | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | Review and align the DRP to the current Municipality ICT application infrastructure. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---------------------------|---|--|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|--|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17057-2023 | Backup Policy is not aligned to the current IT landscape | The current Backup Policy is not aligned to the current IT landscape resulting from the change from the SEBATA and PayDay systems to the SAGE 200 and SAGE 300 systems | In adequate implantation of previous EMS | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Development of Backup procedure Review, update and align the Backup Policy to the current Municipality ICT landscape. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17058-2023 | Weaknesses in backup processes | In addition, the following weaknesses were noted in the backup process: <ul style="list-style-type: none"> • There were no backup logs from 1 July 2022 to 26 November 2022. • Backups restore testing was not performed during the period under review. • Backup tapes were not taken to an offsite location as per policy. • The backup policy did not address the following key processes: <ul style="list-style-type: none"> o Backup restoration process o Archival requirements o Special media considerations | In adequate implantation of previous EMS | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Perform incremental daily backup of all critical systems Perform backup restore tests on a monthly basis. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|---|---|---------------------------------------|-------------|---|-----------------|--|--|---|
| AAP17077-2023 | Back-up Policy did not address restoration and achieve | <ul style="list-style-type: none"> The backup policy did not address the following key processes: <ul style="list-style-type: none"> o Backup restoration process o Archival requirements o Special media considerations | In adequate implantation of previous EMS | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Perform backup restore tests on a monthly basis. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17083-2023 | Weaknesses on active directory | <p>As previously reported in 2019-20 and 20-21, the following weaknesses were noted on the Active Directory:</p> <ul style="list-style-type: none"> The activities of the administrator responsible for creating users on the Active Directory were not performed. User access reviews were not performed | Outdated AD Termination list not provided to ICT ontime | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Implementation of Group policy on AD , Departmental monthly HR report on termination to be used , Develop Password reset questionnaire , Password change form | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|---|--------------------------|---|----------------------|-------------|--|-----------------|--|---|
| AAP17084-2023 | Passwords reset done without completing the forms | There is no formalised process in place for the resetting of user passwords. In addition, user passwords are reset without completing a form as required by the password policy under section 8.12. | System under development | 4 | Roger Seretse Chuene | 30-Jun-2023 | <p>Conduct monthly review of all Administrator Activities on the Active Directory.</p> <p>Conduct quarterly review of user access rights on the active directory and all critical IT systems.</p> <p>Configure audit logs on the Active Directory.</p> <p>Review active directory logs to identify possible security breaches.</p> <p>Liaise with HR to get all terminated users and immediately disable terminated user accounts on the AD.</p> <p>Conduct an audit of AD users and identify duplicate and any unauthorised accounts and termite such accounts immediately.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|--------------------------|---|----------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|---|---|---------------------------------------|-------------|---|-----------------|--|--|---|
| AAP17086-2023 | Audit feature /logs not configured on Active Directory | The audit features/logs were not configured on the Active Directory and there was no evidence of review of the logs as indicated on the IT Security Policy. | Outdated AD Termination list not provided to ICT ontime | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Conduct monthly review of all Administrator Activities on the Active Directory. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17087-2023 | User access rights reviews not performed | It was established that no user access rights reviews were performed during the period under review. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Review access rights on the SAGE 200 system on a monthly/ quarterly basis. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17088-2023 | Terminated employees noted on active directory | The following terminated users were noted to be still active on the AD: | Outdated AD Termination list not provided to ICT ontime | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Conduct monthly review of all Administrator Activities on the Active Directory. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|-------------------------------|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17090-2023 | Users with duplicate accounts | <p>The following user had duplicate accounts which are all active:</p> <ul style="list-style-type: none"> • Maruping Pilusa (PilusaMaruping@ba-phalaborwa.gov.za and pilusam2@ba-phalaborwa.gov.za) <p>The following users have duplicate accounts assigned to them in the SAGE 200 system which are all active:</p> <p>Employee Number Initials Name Surname Creation Date Status2 Password Reset Date B0054 M Matimu Malatjie 9/25/2021 ACTIVE 9/26/2022 Matimu M M Matimu Malatjie 9/25/2021 ACTIVE A465 N Ndivhuho Tshishonga 9/25/2021 ACTIVE 10/17/2022 A465_2 N Ndivhuwo Tshishonga 9/25/2021 ACTIVE 10/17/2022</p> | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Conduct an audit of AD users and identify duplicate and any unauthorised accounts and termite such accounts immediately. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------------|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|---|---|---------------------------------------|-------------|---|-----------------|--|--|---|
| AAP17091-2023 | No formalized process for resetting of users | There is no formalized process in place for the resetting of user passwords. In addition, user passwords are reset without completing a form as required by the password policy under section 8.12. | Outdated AD Termination list not provided to ICT ontime | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Update the user access procedure to include a formalised process of resetting password. Users to log a call or complete a form for all password resets. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|---|---|---|---------------------------------------|-------------|---|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|-------------------------|---|--------------------------|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP17092-2023 | No evidence of sign-off | <ul style="list-style-type: none"> It was noted that the users created on the SAGE 300 were migrated from the PayDay system which was decommissioned. However, there was no evidence provided to the Auditors of management sign-off for the roles allocated to the users in the SAGE 300 system. Furthermore, the Auditors could not provide assurance that the controls in the Payday system were working effectively during the part of the financial year the system was functional. There is no formalised process in place for the resetting of user passwords. In addition, user passwords are reset without completing a form as required by the password policy under section 8.12. The activities performed by the system administrator were not performed during the period under review. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Implementation user of user access procedure</p> <p>Introduce user access forms signed by management for all users on the SAGE 200 system.</p> <p>Update the user access procedure to include a formalized process of resetting passwords. Users to log a call or complete a form for all password resets.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------|---|--------------------------|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---------------------------------|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17093-2023 | User access rights not reviewed | It was established that no user access rights reviews were performed during the period under review. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Review access rights on the SAGE 200 system on a monthly/ quarterly basis. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---------------------------------|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|--|---|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP17094-2023 | Lack of review of the administrators responsible for granting users' access to the Active Directory | Lack of review of the administrators responsible for granting users' access to the Active Directory increases the risk of override of controls which may not be timeously detected. Lack of review of audit logs increases the risk that unauthorized activity, which may compromise the integrity, availability, and confidentiality of the information, hosted on this server, will remain undetected or may not be detected and corrected timeously. Duplicate user accounts may result in authorized use of the accounts which might result in fraudulent transaction being processed. | Outdated AD Termination list not provided to ICT ontime | 4 | Roger Seretse Chuene, Prince Nkhwashi | 30-Jun-2023 | <p>Conduct monthly review of all Administrator Activities on the Active Directory.</p> <p>Conduct quarterly reviews of user access rights on the active directory and all critical IT systems.</p> <p>Configure audit logs on the Active Directory.</p> <p>Review active directory logs to identify possible security breaches.</p> <p>Liaise with HR to get all terminated users and immediately disable terminated user accounts on the AD.</p> <p>Conduct an audit of AD users and identify duplicate and any unauthorized accounts and terminate such accounts immediately.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|---|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17095-2023 | No list of user modification | There was no list of user access modifications was provided for review. | system under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Liaise with CCG to obtain a system-generated report on user access modifications. Investigate and allocate all users on the system to specific user profiles on the system. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17096-2023 | User accounts not assigned to specific users | The following user accounts are not assigned to a specific user (that is, there is no user's full name and surname) as seen by the blank "Entity Code". | system under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Investigate and allocate all users on the system to specific user profiles on the system. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17097-2023 | Maintenance of UPS not done | The maintenance documents of the environmental controls could not be provided as there was no maintenance/service performed for the Uninterrupted Power Supply (UPS), air conditioner and smoke detectors for the 2019-20 and 2020-21 financial years. | Lack of Data centre | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Maintain up-to-date records for maintenance service to the UPS, air conditioners, and smoke detectors. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |



Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022

| | | | | | | | | | | | |
|---------------|--|--|---|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17098-2023 | Inadequate Environmental controls in the server room | It was noted that there were boxes in the server room and some cables were not adequately secured. In addition, it was noted that the visitor register in the server room is not being reviewed regularly by the Group IT Manager | Lack of Data centre | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Clean the server room and remove all combustible materials. Periodically review the server room visitor register. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
| AAP17099-2023 | Inadequate IT Security Policy | In addition, the IT security policy did not address the following <ul style="list-style-type: none"> • lightning protection has been applied. • prohibiting of eating, drinking, and smoking in proximity to information processing facilities. Inadequate environmental controls increase the risk of IT equipment being damaged resulting in unavailability of systems | In addition, the IT security policy did not address the following <ul style="list-style-type: none"> • lightning protection has been applied. • prohibiting of eating, drinking, and smoking in proximity to information processing facilities. Inadequate environmental controls increase the risk of IT equipment being damaged resulting in unavailability of systems. | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Update the security policy to include sections on: <ul style="list-style-type: none"> • Lightning protection • Prohibition of eating and smoking in or near the server room. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|--|----------------------|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17102-2023 | Data Migration not adequately supported | <p>While management demonstrated the existence and usage of templates (with respective formats provided by vendor) to collate source datasets for all areas that were going to be migrated to the CCG system, the respective documentation for procedures and steps that were followed to extract, cleanse and map data from the Sebata system to the take-on templates were not provided to the auditors. Furthermore, the procedures that were going to be taken to preserve and ensure the integrity of the data during this extraction, cleansing and mapping process was not defined.</p> <p>If the data extraction, cleansing and mapping process is not clearly documented, the data migration process can be impacted as follows:</p> <ul style="list-style-type: none"> • Incorrect data extraction progress resulting in incomplete, inaccurate or invalid data being extracted for migration. • Inconsistent data cleansing | Management oversight | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>Develop and update Project Management Framework and Procedure. Data management and migration to be included in the policy.</p> <p>In all future data migration projects, data cleansing and data management will be done to ensure data integrity is maintained during and after migration.</p> <p>Data mappings and exclusions will be documented during project implementation.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|----------------------|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| | | <p>process which can result in errors being introduced by the data cleansing team, resulting in incomplete, inaccurate and invalid data being migrated to the new system.</p> <ul style="list-style-type: none"> • In cases where the mapping and rules are not defined, and in cases where, for example, fields are to be merged, some to be split or excluded, if such is not properly documented for the team that is extracting the data from the source system, they can make mistakes, or can be inconsistent in mapping, impacting the integrity of data to be migrated. | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|---|--|---|---------------------------------------|-------------|---|-----------------|--|--|---|
| AAP17104-2023 | Change logs on SAGE 200 and 300 not provided to Auditors | Although management provided the AGSA with the versions of the SAGE 200 and 300 being operated at the Municipality, the log of changes implemented in these systems were not provided. Thus, the auditors were not able to test the change management process to provide assurance that this process was operating as intended. In addition, the policy does not state the process to be followed when migrating changes to production. | Incapability of system to generate a systems change log. | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | <p>Liaise with CCG to obtain a system-generated log of all changes made on the system since implementation.</p> <p>Request CCG to draw and give the Municipality access to independently generate monthly system-generated change log/report.</p> <p>Review the change log on a monthly basis to identify unauthorized changes.</p> | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|---|--|---|---------------------------------------|-------------|---|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|-------------------------|---|--|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP17106-2023 | No formal business case | Management provided Internal Audit with the formal letter communicated to Sebata systems, demonstrating challenges they were facing with the previous system. They also shared the records of Senior Management and Council meetings where the Sebata system challenges and plans to procure another system were discussed. However, a formally documented and approved business case or the equivalence (e.g., motivation or submission) for the ERP Implementation Project, encompassing problem statement derived from challenges mentioned above, objectives, feasibility study, and expected benefits, benefit management could not be provided to the auditors. | Inadequate implementation of Project Management framework -PMF | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>In future, management will ensure that a business case is developed clearly outlining the challenges, problems being experienced, and the benefits and return on investment from the new system.</p> <p>Develop and update Project Management Framework and align it to international best practices such as Prince 2. Project Management Framework to include the development of business cases for all ICT projects.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|-------------------------|---|--|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|------------------------------|--|----------------------|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP17107-2023 | No parallel run for SAGE 200 | <p>Management ensured that there was a parallel run for four (4) months for the Human Resources and Payroll System to ensure the stability of new system, and leave room to switch back to the old system when faced with system challenges.</p> <p>The Financial System (Sage Evolution) did however not undergo a parallel run due to the myriad of issues on the legacy system where the business was migrating from. While this decision was reasonable, management exposed the system implementation project and business to risk by not putting in place contingency or rollback plans.</p> <p>The municipality might not be able to roll back to the previous state or continue to provide financial information if the new system fails to function during go live. This can be immediately after going live, or a few days later. This can lead to failure to recover systems and continue providing technology</p> | Management oversight | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Project Management Framework and ICT Change Management Procedure to be updated to include rollback plans for all project implementations. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|------------------------------|--|----------------------|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| | | <p>services to the Municipality and subsequently municipal services to customers in the event of system and network failure as a result of the unsuccessful data migration and/or promotion of new system to production.</p> | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|---|---|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17109-2023 | Project deliverables per Charter not adhered to | <p>The auditors reviewed the sign-offs of project deliverables provided by management. The sign-offs were compared with expectations defined in the ERP Implementation Project charter and the following was noted:</p> <ul style="list-style-type: none"> • There was reasonable comfort with the sign offs provided for the data migrated from source files or uploaded into Sage Pastel, except for the Human Resources where the respective Milestone Acceptance Form was not availed to the auditors. • The system testing sign-off evidence provided was not adequate for all except Human Resources and Payroll. For Human Resources and Payroll, there was reasonable demonstration of User Acceptance Testing (UAT) and the respective sign-off. For the rest of the Sage Pastel Evolution modules, management indication that the data upload/migration Milestone Acceptance Forms served as both data migration and system UAT sign- | Inadequate implementation of Project management framework | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Update Project Management Framework to cover business case development, project plan development, project milestone definition, project milestone sign off, dependencies, UAT, system functionality testing and all critical project management processes. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| | <p>off. This was not sufficient considering that the Project Deliverables per charter were very clear about the respective sign-offs required. Furthermore, the fact that the Milestone Acceptance Forms provided for data upload only referred to data uploads, and did not include any commentary on system functionality testing.</p> | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|---|---|---|---------------------------------------|-------------|---|-----------------|--|---|
| AAP17111-2023 | Inadequate Project Steering Committee meetings held | <p>We requested minutes of meetings held by the Project Steering Committee, and management provided the auditors with only three sets of minutes as follows for the entire duration of the project:</p> <ul style="list-style-type: none"> • Meeting held on 20 July 2022 • Meeting held on 8 August 2022 • Meeting held on 17 May 2022 <p>In the absence of meeting minutes, management cannot formally demonstrate that the Project Steering Committees was meeting regularly to discharge its mandate and follow-up on key action items.</p> <p>If the project steering committee does not meet frequently as required, they will not be able to provide adequate direction and support to the project. Without enough top management direction and support, significant project-related issues and problems including risks, scope changes, resource constraints and budgetary issues will not be managed appropriately. Furthermore, in the</p> | <p>No independent IT Steering committee chairperson</p> <p>No formal IT Steering committee meeting schedule</p> | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | <p>A Schedule of ICT Steering committee meeting will be implemented and tracked to ensure that scheduled meetings are held and failure to hold meetings is actively managed.</p> <p>All meetings of the IT Steering committee will be documented, and minutes securely stored</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---|---|---------------------------------------|-------------|---|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|--|
| | absence of regular monitoring of the financial aspects of the project through the steering committee, there is risk of project cost overruns. | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17113-2023 | Performance Management System sign offs not provided | The auditors were not provided with sign-off for Performance Management System, Integration with Third Party Systems and Project Handover Sign-off | Inadequate implementation of Project management framework | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | Update Project Management Framework to cover business case development, project plan development, project milestone definition, project milestone sign-off, dependencies, UAT, system functionality testing, and all critical project management processes | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|---|---|---------------------------------------|-------------|--|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--|--|--------------|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17116-2023 | Differences between source dataset migrated to SAGE200 and Valuation roll. | <p>To determine the completeness, accuracy and validity of Valuation Roll data migrated to Sage Evolution, the auditors performed data analytics techniques using the source Valuation Roll dataset, and data that was extracted from Sage 200.</p> <p>There were no exceptions noted in the property sizes between source/pre-migration data and data extracted from Sage system (post migration) as well as in property Market Values between source/pre-migration data and data extracted from Sage system (post migration).</p> <p>The results of the data analytics techniques however revealed differences between source dataset and that migrated to SAGE200. These results, in detailed form, have been referred to management for further investigation and are summarised as follows:</p> <ul style="list-style-type: none"> Valuation Roll records in Source/Pre-Migration dataset, but not in post-migration dataset | Not provided | 4 | Roger Seretse Chuene, Prince Nkhwashu | 30-Jun-2023 | <p>An investigation of differences between the source dataset and that migrated to SAGE200 is to be conducted to determine the source of the difference.</p> <p>Corrective action is to be implemented after the investigation is conducted.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|--------------|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|
| | <p>extracted from Sage Evolution (3 159 records).</p> <ul style="list-style-type: none"> • Valuation Roll records in post-migration dataset extracted from Sage Evolution but not in source/pre-migration data (15 679 records). • Valuation Roll records where there is a difference between Market Values recorded in Source dataset and post-migration/Sage Evolution dataset (75 records). <p>Incomplete, inaccurate or invalid data migrated could have an impact in the integrity of municipal data, and subsequent system processing. Since the Valuation Roll is an important piece of data, its lack of integrity will have an impact on rates and taxes revenue collection and various administrative processes.</p> | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|---|---------------------------------|---|---------------------------------------|-------------|---|-----------------|--|--|---|
| AAP17120-2023 | Data Convention Plan and Migration Plan not developed | The following key project artifacts were not developed during the project: <ul style="list-style-type: none"> • Data Conversion Plan. • Data Migration Plan. • Inadequate data conversion plan results in data integrity issues and increases the likelihood of non-acceptance by users. | Lack of Data Migration articats | 4 | Roger Seretse Chuene, Prince Nkhwashu | 31-Jan-2023 | Development of Data Migration Procedure Project Management Framework and ICT Change Management Procedure to be developed and updated to include Data Conversion and Data Migration Plan for all project implementations. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|---|---------------------------------|---|---------------------------------------|-------------|---|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--|--|---|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17121-2023 | Differences between source datasets and the Sage Evolution dataset | <p>To determine the completeness, accuracy and validity of Meter Master Data migrated to Sage Evolution, the auditors performed data analytics techniques using the source Meter Master Data, and that extracted from Sage Pastel.</p> <p>The results of the data analytics showed several records that were in the source datasets and the Sage Evolution dataset that reconciled/were the same. However, some differences were noted. The data analytics results, in detailed form, have been referred to management for further investigation and are summarised as follows:</p> <ul style="list-style-type: none"> • 26 meters in the Sage Evolution dataset, but were not in source dataset provided for migration • 1 293 meters in the source dataset provided for migration but were not in the Sage Evolution post migration dataset. <p>Incomplete, inaccurate or invalid data migrated could have an impact</p> | Inadequate data cleansing controls during system migration. | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | <p>An investigation of differences between the source dataset and that migrated to SAGE200 is to be conducted to determine the source of the difference.</p> <p>Corrective action is to be implemented after the investigation is conducted.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|---|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|
| | | <p>in the integrity of municipal data, and subsequent system processing. Since the Meter Master Data is an important piece of data, its lack of integrity will have an impact on water and electricity revenue collection and administrative processes.</p> | | | | | | | | | |
|--|--|---|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---------------------|--|---------------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|
| AAP17123-2023 | No test environment | Lack of a test environment results in ineffective testing and may lead to a system not meeting business needs. | Lack of Data Migration articats | 4 | Roger Seretse Chuene, Prince Nkhwashu | 31-Jan-2023 | Project Management Framework and ICT Change Management Procedure to be developed and updated to include Data Conversion and Data Migration Plan for all project implementations. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---------------------|--|---------------------------------|---|---------------------------------------|-------------|--|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|--|---|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17128-2023 | Key fields not made mandatory when creating new customers/ properties/ service | <p>The following key field had not been as mandatory when creating a new customer:</p> <ul style="list-style-type: none"> • Initials; • Title; • Identification no; • Gender; • Population Group; • Submission Date. • Contact details: <ul style="list-style-type: none"> o Postal address; o Street/Physical address <p>The following fields have not been set as mandatory when creating a property:</p> <ul style="list-style-type: none"> • Land Size (not Mandatory); • Land value (not Mandatory); • Property Registration Date; and • Property Relationship Start Date. <p>The following field was not set as mandatory when creating a service:</p> <ul style="list-style-type: none"> • Billing Frequency. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | Liaise with CCG to update the SAGE 200 system and request the system vendor to hard code mandatory data fields and implement information workflow and approvals. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|---|--------------------------|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---------------------------------|---|--------------------------|---|---------------------------------------|-------------|---|-----------------|--|--|---|
| AAP17131-2023 | System has no built-in workflow | <p>The system has no built-in workflow to ensure that there is an approver for any customer that is created in the system.</p> <ul style="list-style-type: none"> • Incomplete information may be captured which might result in inaccurate billing information being processed resulting in a loss of revenue for the Municipality. • Management may not timely detect errors and/or unauthorised capturing or amendments to customer's master data. | System under development | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | Liaise with CCG to request the development of a workflow. | Not Yet Started | | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---------------------------------|---|--------------------------|---|---------------------------------------|-------------|---|-----------------|--|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|--|---|---|---------------------------------------|-------------|--|-----------------|--|---|
| AAP17150-2023 | Differences (number of records and values) between the records in the source Customer Take-on Balances datasets and that extracted from Sage Evolution (migrated) | <p>To determine the completeness, accuracy and validity of Customer Take-on Balances migrated to Sage Evolution, the auditors performed data analytics techniques using the source Customer Take-On Balances dataset, and that extracted from Sage Pastel.</p> <p>The results of the data analytics showed differences (number of records and values) between the records in the source Customer Take-on Balances datasets and that extracted from Sage Evolution (migrated). The detailed data analytics results, have been referred to management for further investigation and were presented in Microsoft Excel format.</p> <ul style="list-style-type: none"> • Incomplete, inaccurate or invalid data migrated could have an impact in the integrity of municipal data, and subsequent system processing. • Customer Take-on balances are important to ensure the integrity and accuracy of customer accounts and debtors/creditors' balances. The | Inadequate data cleansing controls during system migration. | 4 | Roger Seretse Chuene, Prince Nkhwashu | 13-Jan-2023 | <p>An investigation of differences between the source dataset and that migrated to SAGE200 is to be conducted to determine the source of the difference.</p> <p>Corrective action is to be implemented after the investigation is conducted.</p> | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|---|---|---------------------------------------|-------------|--|-----------------|--|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|
| | lack or loss of integrity will have an impact on the accuracy and completeness of debtors' balances reported. | | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|---|--|---|---|-------------------------------|-------------|--|-----------------|-------------|--|---|
| AAP17285-2023 | Inconsistencies between reported and planned target | <p>Inconsistencies were identified between the reported targets and the planned target</p> <p>Number of rural villages with access to basic waste removal services (Mashishimale & Makhushane by 30/06/2022) Planned Target (SDBIP) - Planned Target APR 2</p> <p>Number of indigent households receiving free basic waste removal service by 30/06/2022 Planned Target (SDBIP) 230 Planned Target APR 228</p> <p>Expenditure on roads capital funding spent per quarter by 30/06/2022 Tambo Phase 2 and B1 extension Planned Target (SDBIP) R24 390 978,46 Planned Target APR R20 884 257,28</p> <p>Number of Parks maintained by the 30/06/2022 Planned Target (SDBIP) 9</p> | Manual PMS reporting which can be manipulated | 3 | Modise Mashale, Mphoyi Malesa | 30-Jun-2023 | Utilization of the PMS System on Sage 300 to control changes of targets and manage the inconsistencies | Not Yet Started | 10-Jan-2023 | The SDBIP has been captured on the Sage 300 system and logged. | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|---|---|-------------------------------|-------------|--|-----------------|-------------|--|---|

Audit Action Plan
Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | | |
|--|----------------------|--|--|--|--|--|--|--|--|--|--|
| | Planned Target APR 4 | | | | | | | | | | |
|--|----------------------|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|------------------------------------|---|--|---|--|-------------|---|-----------------|-------------|---|---|
| AAP17286-2023 | AOPO Inconsistencies identified | <p>Inconsistencies were identified between the reported targets and the planned targets.</p> <p>Number of rural villages with access to basic waste removal services(Mashishimale & Makhushane by 30/06/2022) Planned Target SDBIP - Planned Target APR 2</p> <p>Number of indigent households receiving free basic waste removal service by 30/06/2022 Planned Target SDBIP 230 Planned Target APR 228</p> <p>Expenditure on roads capital funding spent per quarter by 30/06/2022 Tambo Phase 2 and B1 extension Planned Target SDBIP R24 390 978,46 Planned Target APR R20 884 257,28</p> <p>Number of Parks maintained by the 30/06/2022 Planned Target SDBIP 9</p> | Lack of adequate review of APR before finalizing for reporting purposes. | 3 | Modise Mashale, Malishelane Chueu, Mphoyi Malesa, Steve Mokhabukhi | 30-Jun-2023 | <p>Third quarter performance reporting will be done through Performance Management System (Electronic Management System - CCG) to manage the inconsistencies</p> <p>The SDBIP has been captured on the system and locked to avoid inconsistencies..... Training on performance management system (reporting) has been conducted for all employees</p> | Not Yet Started | 10-Jan-2023 | Electronic performance management system has been procured....SD BIP has been captured and locked on the system....Training has been provided to all affected employees | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|------------------------------------|---|--|---|--|-------------|---|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality
2021/2022



| | | | | | | | | | | | | |
|--|----------------------|--|--|--|--|--|--|--|--|--|--|--|
| | Planned Target APR 4 | | | | | | | | | | | |
|--|----------------------|--|--|--|--|--|--|--|--|--|--|--|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | | |
|---------------|--|--|---|---|--|-------------|---|-----------------|-------------|---|---|
| AAP17287-2023 | AOPO Inconsistencies identified on KPIs | Inconsistencies between the reported indicator and the planned indicator SDBIP- Number of Parks maintained by the 30/06/2022 Phalaborwa four way, Wildevy Park, Buffalo Park, Sealene Park, Kingfischer Park, Lulekani Park, Namakgale entrance, Defryn Park, Gravelotte Park APR- Number of Parks maintained by the 30/06/2022 | Lack of adequate review of APR before finalizing for reporting purposes | 2 | Modise Mashale, Malishilane Chueu, Mphoyi Malesa | 30-Jun-2023 | Third quarter performance reporting will be done through Performance Management System (Electronic Management System CCG), to manage the inconsistencies) The SDBIP has been captured on the system and locked to avoid inconsistencies. Training on performance management system (reporting) has been conducted for all employees. | Not Yet Started | 10-Jan-2023 | Electronic performance management system has been procured....SD BIP has been captured and locked on the system....Training has been provided to all affected employees | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|--|--|---|---|--|-------------|---|-----------------|-------------|---|---|

Audit Action Plan

Ba-Phalaborwa Municipality

2021/2022



| | | | | | | | | | | |
|---------------|---|--|--|---|--|-------------|--|-----------------|--|---|
| AAP17289-2023 | Duplicates identified in the underlying support | <p>Duplicates were identified in the underlying supports /listings.</p> <p>Number of HH with access to electricity in Municipal licenced area (Phalaborwa Town) by 30/06/2022- 1 454 duplicates identified</p> <p>Number of urban households with access to basic waste removal services (Phalaborwa a town, Gravelotte, Namakgale and Lulekani by 30/06/2022) - 254 duplicates identified</p> | Lack of adequate review of APR before finalising for reporting purposes. | 0 | Ndivhuho Tshishonga , Steve Mokhabuk hi, Sello Madiope | 30-May-2024 | Review the POE before updating the APR, noting duplicate households and remove the duplicate Household on the POE. | Not Yet Started | | Satisfactory. Internal Audit is satisfied with the action plan to address the finding |
|---------------|---|--|--|---|--|-------------|--|-----------------|--|---|

Approvals

Prepared and approved by management on the **10th January 2023**

Reviewed by Internal Audit on the **11th January 2023**

Reviewed and approved by Audit Committee on the **13th January 2023**