



Audit Action Plan

TO ADDRESS AGSA FINDINGS FOR 2022/2023

BA-PHALABORWA MUNICIPALITY



Audit Action Plan to address AG Findings
2022/2023 Audit Report
29 January 2024

Introduction

The Municipality obtained a Qualified Audit Opinion in the 2022/2023 financial year. Although the opinion is the same as the previous years, the current opinion is a very improved as only 2 paragraphs caused the qualification. These are VAT which is a new finding and payables which is recurring. The Municipality has developed an action plan to address this findings. The action plan was discussed by management on the 18th January 2024 and the internal audit has reviewed all actions to give assurance that the actions will address the findings.

Overview

The following the overview of the audit action plan:

Departments	Total Findings	Sections Affected
Office of the MM	2	Communications (1) Office of MM (1) UIFW
Budget & Treasury	15	Assets (4) Expenditure (4) Revenue (5) SCM (3)
Corporate Services	10	IT (7) HR (3)
Planning & Development	1	PMS (1)
Community Services	2	Traffic & Licencing (1) Waste Management (1) Landfill
Technical Services	7	PMU (7)
Total Findings	35	
<i>Community Services share their findings with BTO hence the total is 35 not 37 and OMM share 1 with BTO (SCM)</i>		

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Detailed Report

Reference	Finding	Root Cause	Responsible Person	Due Date	Action Plan	Implementation Status	Completed Date	Completed Comments	IA Review Comments
AAP5058 5-2023	Payables from exchange transactions – Difference between corresponding amounts on the annual financial statements and the prior year annual financial statements	Lack of capacity to review the prior year adjustment	Ndivhuho Tshishonga	15-Apr-2024	i. Investigation on the R 23 576 446.02 will be made. ii. The Schedule to support the amount has been prepared	In Progress	20-Dec-2023	CCG has been requested to provide explanation	Satisfactory
AAP5059 6-2023	Incorrect application of the VAT Act	outstanding	Isaiah Tselagale Mokganya, Ndivhuho Tshishonga		Meeting with LPT and MDM to discuss how to resolve the finding is arranged for 02 February 2024	Not Yet Started			Not audited,
AAP5053 8-2023	Inadequate change management policy	inadequately designed change management policy	Roger Seretse Chuene, Jamela Selapyane	31 March 2024	The ICT Security Policy will be updated to cover the process for Migration and rolling back during migration of all the systems in the Municipality. The policy will be tabled in Council once updated.	In Progress		The ICT Security Policy have been updated to include the process for Migration and rolling back during migration of all the systems	Satisfactory
AAP5054 0-2023	Inadequate security awareness training	Inadequate change management process	Roger Seretse Chuene, Jamela Selapyane, Caswell Baloyi	31 January 2024	All the security awareness communicated to all users will include the ICT personnel contact and encourage them to report all security incidents to ICT unit.	In Progress	15-Jan-2024	Contact details for ICT unit and Instruction to report any incident to ICT staff have been included during the awareness.	Satisfactory

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AAP50541-2023	No documented policy relating to sensitive information within the Municipality.	POPIA responsibilities were not yet delegated to an official in the Municipality	Tshiritshiri Simon Mashale, Jamela Selapyane	31 March 2024	POPIA responsibilities will be delegated. The policy will be developed in line with POPIA Act and the relevant classes of information to be classified will be listed. The policy will be tabled to Council for approval once developed and implemented.	Not Yet Started		Legal Manager was delegated the POPIA compliance responsibilities	Satisfactory
AAP50543-2023	Disaster Recovery Plan (DRP) test was not performed.	Inadequate budget provision during the 2022/23 financial year	Roger Seretse Chuene, Jamela Selapyane, Caswell Baloyi	31 March 2024 01 April 2024	Request increase of the budget for Disaster recovery site implementation. Implement disaster recovery.	In Progress	19-Jan-2024	Awaiting for the budget adjustment period to begin.	Satisfactory
AAP50545-2023	Vacant senior manager posts were not advertised within 14 days of the receipt of the approval from council	No internal control developed to monitor the turnaround times.	Jacqueline Phakula, Jamela Selapyane	31 March 2024	Management will develop a compliance checklist for Senior management position in line with the legislation. Management will develop the compliance checklist for filling of vacant posts in line with Municipal policies. All checklist will be included in the HR report and monitored monthly.	In Progress	19-Dec-2023	Checklist developed awaiting review	Satisfactory
AAP50547-2023	The 'employees other than municipal manager and managers who are directly accountable to the municipal manager' did not	The Municipality did not have capacity to	Jacqueline Phakula, Jamela Selapyane	30 June 2024	The Municipality will cascade to level 2 and 3 in the 2023/2024 financial year.	In Progress	23-Jan-2024	1. The position of Individual Performance Management	Satisfactory

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	sign a performance agreement for the current year	cascade the performance assessments to other levels			Performance assessment plan to cover all employees will be developed which will guide the cascading.			System has been advertised and appointed to deal with the cascading of Individual Performance Management. 2. A communique has been sent to all Senior Management to embark with the cascading of the performance management system.	
AAP5054 9-2023	Performance management – Performance evaluation not concluded	The following senior managers were not qualifying to be assessed due to the reason that they were appointed to act two months before the end of mid-year term: 1. Acting Senior Manager Community services -	Jeconitta Mulaudzi, Malishela ne Chueu	31 January 2024 28 February 2024	1. To conduct the 2022/23 Annual Individual Performance Assessment after A.G has presented the final Audit Outcome to Council by end of January 2024. 2. To conduct the 2023/24 Mid-Year Assessments by end of February 2024 (after the 2022/23 Annual Individual Assessments).	In Progress	11-Jan-2024	1. In terms of progress on the 2022/23 Annual Individual Assessments, updated scorecards together with Portfolio of Evidence (POE) were submitted to Internal Audit and their Findings/Comments were forwarded to the Senior Managers.	Satisfactory

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		<p>(acting from October 2022)</p> <p>2. Acting Corporate Services - (acting from November 2022)</p> <p>3. Acting Senior Manager Planning and Development - (acting from October 2022)</p> <p>4. Acting Senior Manager Technical Services - (acting from November 2022)</p> <p>Assessments for Municipal Manager and Chief Financial Officer was not conducted due to failure to adhere to mid-year assessment timeframe which guide the review of</p>						<p>2. In terms of progress on the 2023/24 Mid-Year Assessments, Scorecards were issued on the 2nd of January 2024 with a due date of 15 January 2024 for submission of updated scorecards and POE.</p>	
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		performance agreement.							
AAP50550-2023	Inadequate user account management on Windows Active Directory	Delay in terminating access to the network for employees who have been terminated on the municipal system after their termination of employment contracts due to various reasons.	Roger Seretse Chuene, Jamela Selapyane , Caswell Baloyi	31 March 2023	A monitoring control will be developed to monitor all terminated employees by ensuring that all terminated employees are communicated by HR to ICT Manager. Disable all user names of the employees who have left the Municipality by 19 January 2024.	In Progress	15-Jan-2024	Accounts disabled	Satisfactory
AAP50553-2023	Inadequate user account management on SAGE 200	Delay in terminating access to the network for employees who have been terminated on the municipal system after their termination of employment contracts due to various reasons	Roger Seretse Chuene, Jamela Selapyane , Caswell Baloyi	30 January 2024	A monitoring control will be developed to monitor all terminated employees by ensuring that all terminated employees are communicated by HR to ICT Manager. De-activate all the users who left the Municipality and Review user access rights.	In Progress	15-Jan-2024	Resigned users removed	Satisfactory

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AAP5055 6-2023	Inadequate user account management on SAGE 300	1. Lack of compliance with the user access management process 2. System limitation	Roger Seretse Chuene, Jamela Selapyane, Caswell Baloyi	30 June 2024	1. IT will align the system with the user access management process. 2. The system vendor will be engaged to ensure that the system pulls the user list so that the IT manager will be able to review the activities of the system administrator. 3. System administrator to develop a user access form which will be used for user creation and modifications.	In Progress	25-Jan-2024	The system vendor has been engaged and they indicated the need for training on the system. Date for training to be confirmed.	Satisfactory
AAP5055 9-2023	Inadequate input validation controls within the SAGE 200 system	Poor planning on migration of the system.	Roger Seretse Chuene, Jamela Selapyane, Caswell Baloyi	31 March 2024	IT will engage BTO and Corporate Services to advice on which fields should be mandatory. IT will engage the system vendor regarding the fields that are should be mandatory as per the agreement with management. The System will be aligned to have recommended system configurations. The process will be incorporated in the Change Management Policy to ensure future implementation	In Progress	19-Jan-2024	The system vendor has been engaged and they indicated that the matter will be taken up with Developers to ensure that those filed are mandatory.	Satisfactory
AAP5056 2-2023	Differences identified between the depreciation amount as per asset register and the auditor's recalculation.	Lack of review of Fixed Asset Register (FAR) on formula accuracy.	Doron Peter Maswang anyi	Monthly 30 June 2024	AFS preparation Plan will include the review of the accuracy of the Fixed Assets Register formula. The Municipality will appoint the Assets Manager to assist in review of the FAR and issue of the	In Progress	08-Jan-2024	The position of the Assets Manager is advertised	Satisfactory

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			Phakula J		<p>complete AFS and FAR on time to allow all other reviewers plenty of time to review.</p> <p>Update the approved adjustment for Depreciation of Community Assets and Movable Assets of R845, 942</p> <p>Review Depreciation on Fixed Asset Register (FAR) monthly in order to curb the error from recurring.</p> <p>3. Improve on the quality review of Fixed Asset Register prior to the finalization of the Annual Financial Statement (AFS).</p>				
AAP5056 5-2023	Difference between the investment property register and valuation certificate.	Lack of adequate reviews of Fixed Asset Register on improved Investment Properties before finalization of the Annual Financial Statements (AFS)	Doron Peter Maswang anyi Phakula J	Monthly 30 June 2024	<p>The Municipality will appoint the Assets Manager to assist in review of the FAR and issue of the complete AFS and FAR on time to allow all other reviewers plenty of time to review.</p> <p>Update the approved adjustment journal on Investment Property of R6, 527,792 and R1, 033,060.00.</p> <p>2. Review the valuation certificates with the Fixed Asset Register (FAR) to ensure accuracy on the improved Investment Properties monthly and before the finalization of the Annual Financial</p>	In Progress	08-Jan-2024	The position of the Assets Manager is advertised	Satisfactory

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					Statements to prevent it from reoccurring.				
AAP5056 7-2023	Project delay	Records for extension of time not kept. Projects not monitored adequately.	Kholofelo Mawela, Sello Madiope, Motlalepula Mphache	Monthly 30 June 2024	<p>Management will keep records for extension of time per project.</p> <p>All Extension of time will be approved by the Accounting Officer.</p> <p>Management will monitor the project performance in terms of scope, budget and time on a monthly basis through monthly progress meetings.</p>	In Progress	09-Jan-2024	Monthly contractor and consultant meetings are held. Extension of time on projects are approved by Municipal Manager	Satisfactory
AAP5056 9-2023	Rate for excavation not market - related	Inadequate monitoring of contractor performance. Inadequate review of supplier prices before appointment	Kholofelo Mawela, Motlalepula Mphache	31 March 2024	<p>All variation orders will be approved by the Accounting Officer before implementation.</p> <p>Monthly monitoring of projects performance will be made against, the scope, budget and time through monthly project progress meetings.</p> <p>Legal Advise will be sought against the Engineer to address the cost overruns.</p> <p>Engineers appointed will be requested to review item prices.</p>	In Progress	09-Jan-2024	Monitoring of projects progress is done on a monthly basis (samples of the minutes is attached) Legal services has initiated litigation processes against the Engineer	Satisfactory

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					The expenditure will be included in the UIFWE register for Council processing.				
AAP50571-2023	Over payment of culverts	Lack of monitoring by the consultant performance	Kholofelo Mawela, Motlalepula Mphache	31 March 2024	The overpayment of R34 400 will be verified with the Engineer and recovered from the outstanding payments due to the Contractor. The expenditure will be included in the UIFWE register for Council processing.	In Progress		Not yet started	Satisfactory
AAP50572-2023	Deficiencies identified during the audit of overtime expense.	1. Omission of appending the date on the overtime claim form. 2. Emergency-related work requirement	Jamela Selapyane, Yvonne Mashele	Monthly 30 June 2024	1. a. Management has investigated the root cause of the overtime form without approval date and noted that it was due to MM's signature omission. The whole population of the 2022/2023 forms will be investigated to ensure that such cases are not existing and rectify such. b. Management will also review all overtime forms completed from July 2023 to date to check if such instances don't exist. c. Overtime submission of dates will be communicated and implemented. 2. The whole population of the 2022/2023 forms will be investigated to ensure that such cases are not existing and rectify such.	Not Yet Started	26-Jan-2024	All overtime claims submitted are currently scrutinised to comply with the procedures.	Satisfactory

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					<p>b. Management will also review all overtime forms completed from July 2023 to date to check if such instances don't exist.</p> <p>c. Overtime submission of dates will be communicated and implemented.</p>				
AAP50573-2023	Other income – Transactions not meeting the revenue recognition	Other income votes not reviewed.	Ndivhuho Tshishonga	15-Apr-2024	<p>(i) Management will review the Other Income Vote on a monthly basis (Vote Number D0001/IR01411/F0045/X049/R0235/001/2004)</p> <p>(ii) All bounce payment will be allocated to the correct account</p> <p>(iii) The remaining transaction which make the R 36 465.88 will be posted to the correct vote (Payables)</p>	In Progress	20-Dec-2023	Journal to correct the misstatement has been prepared	Satisfactory
AAP50577-2023	SCM – Suppliers made false declarations on the MBD 4 forms.	No system to identify check the validity of the declarations made.	Willard Ntsoatso aile Selepe Sekwari TMT Ndlozi N	30 June 2024	<p>Risk Management Unit to continue conducting the awareness on declaration of interest</p> <p>Update the UIFWE Register with the expenditure for Council processing.</p> <p>Report false declarations to relevant Government Departments.</p>	In Progress	08-Jan-2024	1. The Irregular Expenditure register and AFS for 2022/23 has been updated and audited	Satisfactory
AAP50579-2023	The administrative conditions of the MIG are partially not met.	Late appointments of contractors.	Kholofelo Mawela, Motlalepula	Monthly	Management will ensure that the specifications for the bids are	Not yet started		Not yet started	Satisfactory

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		Conditions of the grants not continually reported on	Mphache		advertised by the 4th Quarter of each Financial year. Conditions of the grants will be included in the monthly monitoring reports and reviewed continually.				
AAP50580-2023	The administrative conditions of the INEP are partially not met.	Late appointment of contractors Conditions of the grants not continually reported on	Rodney Sekgobela, Motlalepula Mphache	Monthly	All INEP projects will be advertised in the 4th Quarter of each financial year. Conditions of the grants will be included in the monthly monitoring reports and reviewed continually.	Not yet started		Not yet started	
AAP50581-2023	The administrative conditions of the EPWP are partially not met.	Non-adherence to Grant conditions Conditions of the grants not continually reported on	Motlalepula Mphache, Kholofelo Mawela	Monthly	Management will engage with Provincial Treasury and Department of Public Works regarding compliance to the said Grant conditions Conditions of the grants will be included in the monthly monitoring reports and reviewed continually.	In Progress	09-Jan-2024	Reports are sent to the provincial office via email on a monthly basis. Only work opportunities are reported and updated on the system as registered projects progress	
AAP50582-2023	Difference between the bank statement balance as per the current year AFS corresponding and the bank statement on prior year.	Lack of proper review of the AFS prior submission to AGSA	Isaiah Tselagale Mokganya	Monthly	Management will prepare monthly bank reconciliations prevent the reoccurrence of the same finding. Monthly bank reconciliations will be reviewed by the Expenditure Manager on a monthly basis	In Progress	08-Jan-2024	Monthly bank reconciliations are prepared	Satisfactory

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					All reconciling items will be investigated and cleared as soon as they are identified.				
AAP5058 3-2023	Cash and cash equivalents Comparative figures (2022) - Year end bank reconciliations for prior-year contain unreconciled differences.	Lack of proper review of the AFS prior submission to AGSA	Isaiah Tselagale Mokgany a		Management will prepare monthly bank reconciliations to prevent the reoccurrence of the same finding. Monthly bank reconciliations will be reviewed by the Expenditure Manager on a monthly basis All reconciling items are investigated and cleared as soon as they are identified.	In Progress	08-Jan-2024	Monthly bank reconciliations are prepared	Satisfactory
AAP5058 4-2023	Employee related cost – Underpayment of car allowance	Lack of review of payroll reports.	Isaiah Tselagale Mokgany a	31-Mar-2024	Management will revisit the whole population of Travel Allowance and recalculate each allowance as per policy and increase. Review all employees travel allowances against the approved Travel allowance policy. Identify and correct any discrepancies. Management will prepare Travel allowances reports every time there are changes in the policy and increases. The reports will be tabled to departmental meeting for oversight.	Not Yet Started		Not yet started	Satisfactory

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AAP5058 7-2023	Deviation register not complete	Inadequate review of the deviation register and AFS before submission	Willard Ntsoatso aile Selepe	31 march 2024	To update the deviation register for 2022/23 financial year. 2. To do a completeness test throughout the year to identify such transactions in 2022/2023 and 2023/24 financial year Where deviation transaction was not approved by MM include the transaction in the UIFWE register	In Progress	08-Jan- 2024	The deviation register for 2022/23 financial year has been updated	Satisfactory
AAP5058 8-2023	Number of HH with access to electricity in Municipal Licensed area (Phalaborwa Town) by 30/06/2023	Management oversight to review the performance indicator and the supporting schedule	Ndivhuho Tshishong a	15-Apr- 2024	Management will review the household listing of customers who have access to electricity to ensure that it excludes business	In Progress	20-Dec- 2023	The schedule to be generated	Satisfactory
AAP50591 -2023	Revaluation reserve could not be traced to the underlying asset.	Lack of adequate review of the Fixed Asset Register on Revaluation reserve	Doron Peter Maswang anyi	30 June 2024	1. Capture the approved adjustment journal on Revaluation Reserve of R583, 743. 2. Record and review revaluation reserve underlying assets in the Fixed Asset Register (FAR) quarterly to curb omissions from recurring. 3. Review the Fixed Asset Register (FAR) on Land Properties Revaluation to be disposed of annually before finalization of the Annual Financial Statements (AFS).	In Progress	24-Jan- 2024	The finding was subsequently resolved through the approved journal adjustment. See annexure 1 and 2 attached.	Satisfactory

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AAP5059 2-2023	Underuse of a material public resource.	Poor project monitoring	Kholofelo Mawela, Motlalepula Mphache	28 February 2024	Management will be monitoring the performance of projects on a monthly basis. The sports complex will be handed over or used by the community by February 2024	Not Yet Started			Satisfactory
AAP5059 3-2023	Local content – The Department of Trade and Industry was not notified of the successful bidder and the value of the contract.	Management was of the view that since Local content has been removed from the legislation it was no longer necessary to notify TDI.	Willard Ntsoatso aile Selepe	31 January 2024	To update the SCM policy in line with the PPR 2022 amended by treasury by removing the application of Local content from the SCM Policy	In Progress	26-Jan-2024	The SCM Policy has been updated in line with PPR 2022 and it has been approved by council. Local Content production has been removed from the SCM Policy.	Satisfactory
AAP5059 4-2023	Difference is identified between the depreciation amount on landfill site as per asset register and the auditor's recalculation.	Inadequate time to review the FAR	Doron Peter Maswanganyi Thabo Hlongwane		The Municipality will appoint the Assets Manager to assist in review of the FAR and issue of the complete AFS and FAR on time to allow all other reviewers plenty of time to review. Update the approved adjustment journal (First Journal)- increase of Depreciation on landfill site of R3 320 724.94. 3. Update the approved adjustment journal (Second Journal)- reduction of provision adjustment to cost R3 320 724.94	In Progress	24-Jan-2024	Assets Manager post is advertised	Satisfactory

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AAP5059 5-2023	Difference is identified between the prior year adjustment and auditors calculation on licences and permits and contracted services	i. Lack of capacity to review License & permits Revenue ii. Traffic Officials not capturing the transaction on the system (Sage System) and resulting in manual accounting for the Revenue	Ndivhuho Tshishonga	15-Apr-2024	i. Review the Revenue of Licence and permits ii. Post the Journal to correct the error noted iii. Traffic department to Capture transactions on the Sage 200 system	In Progress	20-Dec-2023	The journal has been prepared and will be posted	Satisfactory
AAP5059 8-2023	Irregular expenditure – Effective and appropriate steps were not taken to prevent irregular expenditure.	Delay in sittings for Financial Misconduct Board	Kgoshi Pilusa, Tshepo Sekwari, Willard Ntsoatso aile Selepe	31-May-2024	1. Conduct refresher trainings for all bid committee members. 2. Finalization of all cases referred to the financial misconduct board regarding irregular expenditure. 3. Finalization of probing of prior year irregular expenditure by MPAC.	In progress		Financial Misconduct Board had its meeting to discuss the UIFWE Report to ensure consequence management	Satisfactory

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Recommendations

1. That Council note the Audit Action Plan to address 2022/2023 AGSA findings which has 35 findings.
2. That council notes that the Audit action Plan was developed for 34 findings and one is still pending the meeting between Mopani district Municipality and Limpopo Provincial Treasury and Auditor General.
3. That Council notes that the meeting will be held on the 02 February 2024.
4. That Council note that the Action Plan was audited by Internal Audit and also reviewed by the Audit Committee on the 22 January 2024
5. That Council approve the Audit action Plan pending 1 finding for Value Added Tax (VAT) which in on discussions.
6. That once discussions ae done, the finding will be tabled for approval by Council.