**INTERNAL AUDIT UNIT**

**FINAL AUDIT REPORT**

**PERFORMANCE INFORMATION**

**(SECOND QUARTER)**

**PROJECT NUMBER: 00.3-15/16**

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1. **DISTRIBUTION LIST**

This report will be distributed as follows:

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| **Name & Designation** | **For** **Information** | **For** **Action** | **Secure** **Action** |
| **INTERNAL STAKEHOLDERS** |
| Mr. T PanyaniMunicipal Manager | X |  | X |
| Ms. T RaveleManager: PMS | X | X |  |

Our report has been prepared for the information of the management of Mohokare Local Municipality. Accordingly we do not accept responsibility to any other party to whom the contents may be disclosed or who on their accord may decide to rely on it.

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**Ms. T Macala Ms. T Ravele**

 **INTERNAL AUDITOR MANAGER: PMS**

**DATE: DATE:**

1. **BACKGROUND**

The audit is performed in terms of the 2015/2016 Annual Internal Audit Plan that was submitted to the Audit Committee for approval.

The report represents the audit results of tests on the adequacy, efficiency and effectiveness of systems of internal controls relating to Performance Information (Third Quarter) in Mohokare Local Municipality.

1. **MANAGEMENT’S RESPONSIBILITY**

The audit has its premise that Management is responsible for the establishment and maintenance of an effective system of internal control and risk management processes. The objective of the system of internal control and risk management processes are inter alia, to provide management with reasonable but not absolute assurance that:

* + Risks are properly managed;
	+ Assets are safeguarded from unauthorised access and use;
	+ Applicable laws, regulations, contracts, policies and procedures are complied with;
	+ Financial and non-financial information is of integrity and reliable;
	+ Resources are procured economically, utilised efficiently and effectively; and
	+ Operations are effective and efficient.
	+ Strategic objectives are achieved.

The Internal Audit Unit is charged with the responsibility for ascertaining that the on-going processes for controlling operations throughout the municipality are adequately designed and are functioning in an effective manner. Internal auditing is also responsible for reporting to management and the Audit Committee on the adequacy and effectiveness of the municipal’s systems of internal control, together with ideas, counsel, and recommendations to improve the systems of operations.

The Audit Committee is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of management, the internal audit, and the external auditors as those duties and responsibilities relate to the municipal’s processes for controlling its operations. The Audit Committee is also responsible for determining that all major issues reported by the Internal Audit , the Auditor General South Africa, and other assurance providers have been satisfactorily resolved. Finally, the Audit Committee is responsible for reporting to Council all-important matters’ pertaining to the Municipal’s controlling processes.

1. **AUDIT SCOPE AND OBJECTIVES**

The review was limited to the examination of the below mentioned units’ performance information from 01 September 2015 to 31 December 2015:

* Municipal Manager’s office (Performance Management System, Risk Management, Human Resources, Internal Audit, Information Technology and Integrated Development Plan)
* Town Planning,
* Technical Services,
* Finance including Supply Chain Management
* Local Economic Development,
* Corporate Services.

The primary objective of the audit was to review the achievement of set targets as indicated the Service Delivery Business and Implementation Plan.

The specific objective of the audit was to determine whether controls are adequate and effective to ensure/follow-up that:

* + Organization’s objectives are met;
	+ Risks are properly managed;
	+ Assets are safeguarded (unauthorised access and use);
	+ Applicable laws, regulations, contracts, policies and procedures are complied with;
	+ Financial and non-financial information is of integrity and reliable;
	+ Resources are procured economically, utilised efficiently and effectively; and
	+ Operations are effective and efficient.
1. **INTERNAL AUDIT REVIEW OPINION**

The departments’ performance is satisfactory. It was noted that the reason for non – achievement of some target was the unavailability of funds to initiate the set targets.

In terms of ISO, the departments’ are not displaying a culture of promoting the initiative. It was noted in the minutes that although it forms part of the agenda, emphasis was given to discuss the item during meetings. Minutes should be verbatim and be a true reflection of the procession at the meeting.

It was further noted that Human Resources is the only department that invited the IDP manager to their meeting to address staff on the subject of ISO.

It is advised that when departments set targets, that they apply the SMART principle. The application thereof will assist in setting targets that are attainable.

1. **AGREED ACTION/ OVERALL MANAGEMENT COMMENTS**

Internal Audit and Performance Management System (PMS) discussed the second quarter report for the 2015/16 financial year. During the engagement, PMS was advised to follow up and amend discrepancies identified. Follow up was conducted and the report was updated accordingly.

1. **APPRECIATION**

We would like to take this opportunity to express our gratitude to both manager and staff of Performance Management System and for the assistance and co-operation afforded to us during the audit.

Should there be any items from this report which require further clarification, kindly contact the undersigned.

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**INTERNAL AUDITOR**

**DATE: \_\_\_\_\_\_\_\_\_\_\_**

**2015/2016**

**CORPORATE SERVICES QUARTER 2**

| **KPA No** | **Key Performance Area** | **Municipal Strategic Objective (SOs)** | **Municipal Strategic Objective (Departmental)** | **SO No** | **Key performance indicator(s)** | **Annual Target** | **Baseline** | **Unit of measurement** | **Verification by Internal Audit** | **Comment by Internal Audit** | **Quarter 2 ending December 2015** | **Actual Achievement** | **Corrective measure to be taken** | **PMS Comment**  | **POE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Good governance & administration** | **Good governance in Mohokare** |  | **SO 4** | Coordination of ordinary council meetings  | 4 Ordinary Council meeting | 4 distributed notices and agenda for 4 ordinary meetings | 4 distributed notices and agendas for ordinary council meeting | Target achieved.Attendance register is attached | None. | Distribution of notices and agendas by Nov 15 | Target Achieved | - | Target achieved  | Copy of notices and agendas distributed and acknowledgement of receipts |

**Actual Achievement**

The Corporate Services had one (01) target set for quarter two SDBIP 2015/2016, actual target achieved is one (1), which resulted to hundred (100%) achievement

**2015/2016**

**TECHNICAL SERVICES QUARTER 2**

| **KPA No** | **Key Performance Area** | **Municipal Strategic Objective (SOs)** | **Municipal Strategic Objective (Departmental)** | **SO No** | **Key performance indicator(s)** | **Annual Target** | **Baseline** | **Unit of measurement** | **Verification by Internal Audit** | **Comment by Internal Audit** | **Quarter 2 ending December 2015** | **Actual achievement** | **Reason for deviation** | **Corrective measure to be taken** | **PMS Comment**  | **POE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Basic service delivery and infrastructure development** | **Deliver sustainable services that are on or above RDP level** | Provision of Project Management services to the Municipality 2015/2016 |  | To achieve 100% expenditure on RBIG (Regional Bulk Infrastructure Grant) by 31 March 2016 | 100% expenditure  | **-** | Expenditure report | Not achieved | The reported percentage cannot be validated by the PoE | 72 % expenditure | Achieved 72 % expenditure | **-** | **-** | Target achieved  | Proof of transfers  |
|  |  | To achieve 100% expenditure on MWIG (Municipal Water Infrastructure Grant) by 30 June 2016 | 100% expenditure | **-** | Expenditure report | Not achieved | The reported percentage cannot be validated by the PoE | 44 % expenditure | Not achieved 23% expenditure | None adherence to procurement plan by supply chain. A professional service provider was appointed in October 2015  | Adherence to the procurement plan | Target not achieved  | PMU procurement plan, Tender notice and appointment letter to the contactor  |
|  |  | 100% expenditure of Municipal Infrastructure Grant by 30 June 2016 | 100% expenditure | **-** | Expenditure report | Not achieved | The reported percentage cannot be validated by the PoE | 44 % expenditure | 23% Not Achieved | Delayed by the Contractor on the sports groundSmithfield 5.6 km access project was stopped by high court | A series of meeting were held with the contractorThe tender has been re-advertised and it closes on the 05th February 2016 | Target not achievedTarget not achieved | Signed Implementation planTender notice and Invitation to Tender |
|  | **Basic** **service delivery and infrastructure development** | **Deliver sustainable services that are on or above RDP level** | Provision of Arial lighting and electrification of household by 30 June 2016 |  | 100% expenditure of INEP (Integrated National Electrification Program) by 31 March 2016 | Electrification of 74 households | **-** | No of households connected to the grid | Not achieved | There is no sufficient PoE to validate the reported figures. | Connection of 24 households | Achieved28 house connections  | **-** | **-** | Target achieved  | Progress report from CENTLEC |

**Actual Achievement**

The Technical Services had four (04) targets set for 2015/2016 SDBIP quarter 2, actual target achieved is two (02), which resulted to fifty (50%) achievement

**Recommendation**

It is recommended that:

1. A Suppliers Performance Monitoring Tool should be developed to address poor performance of contractors.
2. The Department should adhere to the procurement plan as to ensure efficient and effective service delivery.
3. Targets that are not within the control of the Department should be revised or removed.

**2015/2016**

**FINANCE SERVICES QUARTER 2**

| **KPA No** | **Key Performance Area** | **Municipal Strategic Objective (SOs)** | **Municipal Strategic Objective (Departmental)** | **SO** **No** | **Key performance indicator(s)** | **Annual Target** | **Baseline** | **Unit of measurement** | **Verification by Internal Audit** | **Comment by Internal Audit** | **Quarter 2 ending December 2015** | **Actual Achievement** | **Reason for deviation** | **Corrective measure to be taken** | **PMS Comment**  | **POE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Financial Management** | **Financial Viability** | **Implementation of Mohokare Financial Management Plan** |  | Resolved previous audit findings  | 100 resolved previous audit findings | 133 resolved previous audit findings | % or number of resolved audit findings | Not achieved | There is no sufficient PoE to substantiate the reported figures. | 29 queries has been resolved which gives 16 % of audit queries resolved | Target not achieved | **-** | **-** | Target not achieved  | Supporting documentation of resolved queries  |

**Actual Achievement**

The Finance Services Department had 29 queries which had to be addressed for the second quarter, which the department was only able to resolve 16% of the audit queries based on the supporting documentation that was provided as POE.

**It is recommended that:**

The Finance Department should concentrate more on resolving audit findings which are under Supply Chain Unit as the matter occurred from previous quarter and nothing has been provided to substantiate that audit finding has indeed been resolved.

**OFFICE OF THE MUNICIPAL MANAGER**

 **2015/2016**

**HUMAN RESOURCE MANAGEMENT**

**QUARTER 2**

| **KPA No** | **Key Performance Area** | **Municipal Strategic Objective (SOs)** | **Municipal Strategic Objective (Departmental)** | **SO No** | **Key performance indicator(s)** | **Annual Target** | **Baseline** | **Unit of measurement** | **Verification by Internal Audit** | **Comment by Internal Audit** | **Quarter 2 ending December 2015** | **Actual Achievement** | **Reason for deviation** | **Corrective measure to be taken** | **PMS Comment**  | **POE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Good Governance and Administration** | **Good Governance in Mohokare** | Annual review and implementation of the Human Resource Development Strategy by June 2016 |  | HRD strategy developed and adopted by November 2015 | Annual review and implementation of the Human Resource Development Strategy by June 2016 | New KPI | Final adopted HRD Strategy by November 2015 | Target achieved | None. | Final adopted HRD Strategy by November 2015 | Achieved HRD Strategy was submitted to Council | - | - | Target achieved, Council resolution and the strategy has been attached | Copy of the Strategy and Council resolution |

**Actual achievement**

The Human Resource unit had one (01) target set for SDBIP 2015/2016 quarter two, actual target achieved is one (1), which resulted to hundred (100%) achievement

**2015/2016**

**INTERNAL AUDITING QUARTER 2**

| **KPA No** | **Key Performance Area** | **Municipal Strategic Objective (SOs)** | **Municipal Strategic Objective (Departmental)** | **SO No** | **Key performance indicator(s)** | **Annual Target** | **Baseline** | **Unit of measurement** | **Verification by Internal Audit** | **Comment by Internal Audi** | **Quarter 2 ending December 2015** | **Actual Achievement** | **Reason for deviation** | **Corrective measure to be taken** | **PMS Comment**  | **POE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maintaining and improving the Municipal Audit Opinion |  | Designing of Audit Action Plan as derived from AGSA findings raised by December 2015 | Approved Audit Action Plan by AC | 2014/2015 Audit Action Plan | Approved Audit Action Plan by AC | Not achieved | None. | Derived and approved Audit Action Plan  | Not achieved**.** | The Auditor General has not yet issue the Management Letter to enable us to draft an Audit Action Plan on the findings raised. | The Audit Action Plan will be drafted as soon as the Management Letter is received by the Municipality and subsequently submitted to the Audit Committee for approval. | Target not achieved.  And it is noted that the none achievement was not within the control of the municipality, due to the audit being conducted by AG took longer than expected. | N/A |

**Actual achievement**

The Internal Audit Unit had 01 target set for the 2015/2016 SDBIP Quarter two (2), actual targets achieved is zero (0), which resulted to zero (00) % achievement.

**It is recommended that:**

* The target should be considered during the process of reviewing/adjusting of the SDBIP.

**2015/2016**

 **LOCAL ECONOMIC DEVELOPMENT QUARTER 2**

| **KPA No** | **Key Performance Area** | **Municipal Strategic Objective (SOs)** | **Municipal Strategic Objective (Departmental)** | **SO** **No** | **Key performance indicator(s)** | **Annual Target** | **Baseline** | **Unit of measurement** | **Verification by Internal Audit** | **Comment by internal Audit** | **Quarter 2 ending December 2015** | **Actual Achievement** | **Reason for deviation** | **Corrective measure to be taken** | **PMS Comment**  | **POE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Local Economic Development** | **Local Economic development** | Enhancement of the municipality’s local economy |  | 3 Cooperatives assisted for funding by June 2016 | 3 cooperatives assisted | 4 co-operatives assisted in 2013/2014 | 3 Business plans Funding approval letter | Not achieved. | None | Business plans developed for the 3 co-operatives | Not achievedIntervention by DESTEA to give support to cooperatives in the three units of Mohokare | DESTEA approach is intended to cut red tape and fast track intervention and support | Stick with DESTEA’s simplified approach in giving support to local cooperatives.New dates for Rouxville and Smithfield still to be submitted to the department  | Target not achievedLED targets should be revised. | 3 Developed Business plans andApproved letter for funding/**Funding approval/hand over of business equipment** |

**Actual Achievement**

The Local Economic Development Unit had 01 target set for the 2015/2016 SDBIP quarter two(02), actual targets achieved is Zero (0), which resulted to zero (0) % achievement

**It is recommended that:**

1. The LED Unit should re-set the targets to ensure that during the process adjustment of SDBIP realistic targets are set and budgeted and are within the Municipality’s control.

**2015/2016**

**INTEGRATED DEVELOPMENT PLANNING QUARTER 2**

| **KPA No** | **Key Performance Area** | **Municipal Strategic Objective (SOs)** | **Municipal Strategic Objective (Departmental)** | **SO No** | **Key performance indicator(s)** | **Annual Target** | **Baseline** | **Unit of measurement** | **Verification by Internal Audit** | **Comment by Internal Audit** | **Quarter 2 ending December 2015** | **Actual Achievement** | **Reason for deviation** | **Corrective measure to be taken** | **PMS Comment**  | **POE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Good governance & Administration** | **Good governance in Mohokare** | To implement a ranking and rating system for all new capital projects to support the strategic objectives and priorities of Council and Community |  | Reviewed and approved IDP by May 2016 | Reviewed and approved IDP | Approved 2014/2015 IDP | Approved IDP Plan | Target Achieved | None. | Establishment of Rep Forum | Achieved Attached list of REP forums | - | - | Target achieved. | Approved list of Rep forum members |

**Actual achievement**

The Integrated Development planning had one (01) target set for quarter two SDBIP 2015/2016, actual target achieved is one (1), which resulted to hundred (100%) achievement

**ADDITIONAL RECOMMENDATIONS**

a)Directorates are in future directed to include corrective measures in instances where targets are not achieved;

b) Directorates are in future directed to document actual performance comments for each target achieved;

c) The Quarterly Performance Report to BE PUBLISHED on the municipality`s website after it has been submitted to the AC and Council;

d) Council should embark on a process to revise the Top Layer SDBIP in an effort to address issues of none achievement and finding raised during the external audit which was conducted by the Auditor General of South Africa during August- November 2015.

Report submitted by:

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**PMS Manager Date**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Signature**