PUBLIC NOTICE

Oversight Report

At the Council Meeting held on the 26th March 2020, the Oversight Report on the 2018/2019 eThekwini Annual Report was adopted "Without Reservations". The adopted Oversight Report as approved by Council can be viewed on eThekwini Municipality's website: www.durban.gov.za

For enquiries please contact Mrs Nokulunga Nyasulu on email: Noky.Nyasulu@durban.gov.za

26-03-2020

....

Acting City Manager
Mr Sipho Cele

AS(2020-03-26)[CH#182150]

ETHEKWINI MUNICIPALITY

2018/2019 OVERSIGHT REPORT

TABLE OF CONTENTS

1. INTRODUCTION

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regard to the Annual Report and the preparation of an Oversight Report.

Given the processes required by Council to effectively undertake its oversight role, the establishment of MPAC of Council provides the appropriate mechanism through which Council fulfills its oversight responsibilities.

The MPAC's primary role is to consider the Annual Report, receive input from the various role players and to prepare a draft Oversight Report for consideration by Council.

2. Background

The oversight role of Council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive (Mayor and Executive Committee) and Administration. Good governance, effective accountability, and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive (Mayor/Executive Committee). In other words, in exchange for the powers in which Council has delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality.

The Municipal Finance Management Act, No.56 of 2003 (MFMA) vests in Council specific powers of approval and oversight.

- ✓ Approval of budgets;
- ✓ Approval of Budget related Policies; and
- ✓ Review of the Annual Report and adoption of the Oversight Report.

3. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The functions of the MPAC are to:

- ✓ Undertake a review and analysis of the Annual Report.
- ✓ Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- ✓ Consider written comments received on the Annual Report from the public consultation process.
- ✓ Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- ✓ Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- ✓ Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

4. Composition Of municipal public accounts committee

4.1 Membership

The Municipal Public Accounts Committee (MPAC) is a committee of Council established under section 79 of the Municipal Structures Act, 1998. Section 79, allows for the co-option of advisory members to a Committee of Council, who are not members of the Council.

Due to the separation of roles and responsibilities, between Council and the Executive (Mayor and Executive Committee) it is not appropriate for members of the Executive Committee to be members of the MPAC.

The Members of eThekwini Municipality's MPAC are: -

Councillor TJ (Chairperson)
Councillor P Luthuli (Deputy Chairperson)
Councillor A Beetge
Councillor TP Collins
Councillor SV de Boer
Councillor CB Dlamini
Councillor NB Iyir
Councillor LC Mnguni
Councillor NE Mnguni
Councillor MC Shezi
Councillor N Sibiya
Inkosi EB Shozi (Ex-officio)

*A vacancy resulted on MPAC due to the appointment of Councillor N Sibiya as an Executive Committee Member on 05th September 2019. Councillor DN Shozi was appointed to replace Council Sibiya. He was also appointed as the Chairperson of MPAC to replace Councillor TJ Luthuli who resigned as Chairperson.

4.2 Authority & Power

The MPAC is delegated the responsibility to conduct meetings and to hold public hearings to receive and hear public submissions on the Annual Report, on behalf of Council.

Timely notice of all meetings should be given and all meetings held by the MPAC must be open to the public and minutes of the meetings must be submitted to Council meetings.

4.3 Meeting Schedule

The eThekwini Municipality's Annual Report for 2018/2019 was tabled at Council's meeting on 30th January 2020 as prescribed in terms of the Local Government: Municipal Finance Management Act 56 of 2003. The Annual Report also included the reports of the municipal entities viz. Inkosi Albert Luthuli ICC (Pty) Ltd and Durban Marine Theme Park (Pty) Ltd, the report of the Auditor-

General on the group financial statements and performance information of eThekwini Municipality. The Annual Report was referred to MPAC for preparation of the Oversight Report.

The tabling of the Annual Report was advertised in eThekwini Municipality's Metro Ezasegagasini dated 24th January 2020. The Public was invited to the tabling of the Annual Report to Council on 30th January 2020, and approximately 50 members of the public were in attendance.

After the noting of the Annual Report by Council on 30th January; the report was subsequently made available for public comments as follows: Advertisements were placed in the Sunday Tribune dated 01 March 2020; Isolezwe, Mercury and Daily News dated 02 March 2020, to inform the public on the availability of the Annual Report for comments/representations. Interested parties were required to make submissions to eThekwini's Performance Monitoring and Evaluation Unit by 29th February 2020, which was later extended to 13th March 2020.

Access to the report was made available as reflected hereunder:

- Placed for inspection in the Municipal Libraries, Sizakala Centres and at the City Hall.
- Hard copies of the full Annual Report were circulated to all Executive Committee Members and Municipal Public Accounts Committee members
- Posted on the Municipality's website.
- USBs with the full Annual Report were distributed to Sizakala Centres.
- USBs with the full Annual Report were provided to Councillors at the Full Council Meeting and to business representatives at the Formal Business engagement.
- Radio interview on the 11th March 2020 on Inanda FM.
- Internally through the 'Newsflash' which is accessed by employees.

Annual Report supplements were distributed to attendees at the public engagements and also distributed as inserts in The Mercury dated 28th February 2020, The Metro Ezasegagasini on 21st February 2020, and social media platforms (Facebook and Twitter).

The Annual Report was also issued to National Treasury; The KwaZulu Natal Provincial Treasury; The KZN Legislature; and the Department of Cooperative Governance and Traditional Affairs on the 6th February 2020.

Public engagements on the 2018/2019 Annual Report were held, targeting specific groups within the Municipal area. These meetings were held as follows:

- 12 February 2020 – Informal Business at City Hall (Mandela Room)
- 20 February 2020 – Traditional Leaders (Pinetown Civic Centre)
- 28 February 2020 – People with Disabilities (Luthuli Hall)
- 04 March 2020 – Civil Society at Durban City Hall (Luthuli Hall)
- 11 March 2020 – Formal Business Engagement (Moses Mabhida Stadium)

Furthermore, the 2018/2019 Annual Report was presented to the Audit Committee on 4th March 2020 and to the following portfolio committees:

- 12 February 2020 – Governance & Human Resources Committee (City Hall)
- 13 February 2020 – Community Services Committee (City Hall)
- 21 February 2020 – Finance, Security & Emergency Services Committee (City Hall)

- 21 February 2020 – Human Settlements & Infrastructure Committee (City Hall)
- 12 March 2020 – Economic Development and Planning Committee (City Hall)

Numerous comments and questions were received from the various public meetings and are being addressed by the Municipality. This feedback is attached hereto as Annexure A.

REVISIONS TO THE 2018/2019 ANNUAL REPORT POST TABLING AT COUNCIL ON 30 JANUARY 2020

PAGE NO.	REVISION
3 – 4	Table of Contents page numbering updated
5	Added AFCON – African Cup of Nations to the list of Abbreviations & Acronyms
6	Added COSAFA - Council of Southern Africa Football Associations to the list of Abbreviations & Acronyms
9	Added PTIS – Public Transport Infrastructure System to the list of Abbreviations & Acronyms
9	Added SAAMBR – South African Association for Marine Biological Research to the list of Abbreviations & Acronyms
12 - 19	List of Figures page numbering updated
20 – 21	List of Tables page numbering updated
22	List of Appendices page numbering updated
23	Changed the sentence "The year 2019 is **very special** in many ways" to "The year 2019 is **significant** in many ways"
23	Revised the line "we have ensured that we place the resources of this municipality in the hands of the ordinary members of society" with the sentence "we have ensured that we use the resources of this municipality to improve the lives of our citizens"
23	Inserted "the triple challenge of" before "poverty, unemployment and inequality"
23	Changed "inequalities" to "inequality"
	Changed "The IDP **collectively with** the Long-Term Development Framework's (LTDF)" to "The IDP **and** the Long-Term Development Framework's (LTDF) six strategic priorities, are the drivers of accelerated service delivery.
23	Revised the sentence "We have had a strong belief as eThekwini Municipality that we must be able to provide water, electricity, street lighting, cut the grass on the verges of the road, ensure refuse removal, repair potholes roads and ensure correct billing of services for both households and business." to "We continue to ensure the provision of water, electricity, street lighting, refuse removal, repair roads and ensure correct billing of services for both households and business."
23	Revised "construction of commercial property such as malls, **golf** estates and hotel developments" to "construction of commercial property such as malls, estates and hotel developments"
23	Revised the sentence "eThekwini Municipality in the other hand is speeding up the provision of housing and improving the road infrastructure" to "On the other hand, as the Municipality we are speeding up the provision of housing and improving the road infrastructure"

23	Revised “The cherry on top is that they have been built in close proximity to places of work” to “These houses have been built in close proximity to places of work”
24	Revised the sentence “We are dealing decisively with the whole issue of access to land by ensuring the procurement of private land on which the slum dwellers are living illegally.” to “We are dealing decisively with the issue of access to land by ensuring the procurement of private land on which people have been living illegally.”
24	Revised the paragraph “Critically, through Operation Sukuma Sakhe we have ensured that Councillors are at the forefront of government’s efforts to improve the lives of our people - such as assisting citizens to obtain Identity Documents, birth and death certificates as well as access to social grants made available by government elected to serve the people. We acknowledge, as the municipality that many orphans and senior citizens remain hungry, even though there are government services that are meant to assist them. Our local Councillors are the ones who have helped bridge the gap between this democratic government and the electorate. We have ensured that our Councillors remain very close to the people they represent, visiting them to understand their plight and respond to their needs.” to “Critically, through Operation Sukuma Sakhe, we have ensured that Councillors are at the forefront of government’s efforts to fast-track service delivery. We have ensured that our Councillors remain very close to the people they represent, visiting them to understand their plight and respond to their needs. Indigent policies are being implemented to ease the burden of suffering for the intended beneficiaries, using the rebate system for rates, water and electricity including various welfare packages.
24	Deleted the paragraph “Our Councillors are using information available in their offices to help people fight hunger and direct them to offices that offer welfare services. Indigent policies are being used to ease the burden of suffering for the intended beneficiaries, using the rebate system for rates, water and electricity including various welfare packages.”
24	Revised “youth and people living with disability” to “youth and people with disabilities”
24	Deleted the sentence “We paid tribute to the leaders who have presided over the resources of this municipality over the years. We salute them for laying a firm foundation for the acceleration of service delivery to all our people across all racial lines.”
24	Changed the Mayor's name from Councillor Fawzia Peer to Councillor Mxolisi Kaunda
24	Removed Councillor Peer's signature
24	Inserted Councillor Kaunda's signature
24	Deleted the word "Acting" Mayor
92	Changed "Appendix H: Long-term Contracts and Public Private Partnerships" to "Appendix H: Top 20 Highest Tender Awards 2018/19"
92	Changed "Appendix U to Appendix S and added "2018/19" after "Service Delivery and Budget Implementation Plan (SDBIP)"

92	Changed " Appendix W" to "Appendix U"
92	Changed "Appendix X" to "Appendix V" and added 2018/19 after Local Government Management Improvement Model Report
94	Table 15: Water and Sanitation Projects Completed – Changed Umnini Reservoir Inlet to Mnini Reservoir Inlet
94	Table 15: Water and Sanitation Projects Completed – Changed Umnini Phase 2 to Mnini Phase 2
99	Inserted “Actual No” under 2016/17
163	“including youth employment” to “including youth unemployment”
213	Changed Umnini Dam Tourism Project to Mnini Dam Tourism Project
213	Removed (See B below) after “Tourism SMME operating in the area”
214	Figure 160 – Changed “Development of the Umnini Dam Tourism Project” to “Development of the Mnini Dam Tourism Project”
276	Inserted information on Strategic Spatial Planning
283	Under unit profile added: The Unit is made up of the following eighteen (18) Divisions, all of whose mandates fall within the ambit of Plan 6 of the City's IDP. The Goal is to achieve "*A City where people interact creatively to stimulate economic growth, learning, sustainability, social cohesion and unity in diversity” and to* deliver an integrated Environmental, Cultural, Heritage and Leisure services within the Municipality to enhance the quality of life for all citizens.
283	Inserted additional information for Parks, Recreation & Culture Unit
291	Inserted additional information for Safer Cities Unit – Strategic Focus and Projects Undertaken
310	Deleted the first bullet: • Performance Management Training Roadshow Task Grade 4 and Below in February 2018
310	Inserted “R” before 9 billion
377	Changed “persons living with disabilities” to “persons with disabilities”
469	Changed “Umnini Rural – Zone 2” to ‘Mnini Rural – Zone 2”
496	Changed “Umnini Reservoir” to “Mnini Reservoir”
498	Changed “Umnini Reservoir” to “ Mnini Reservoir”
517	Changed “Umnini – Sport Precinct SD” to “Mnini – Sport Precinct SD”
574	Changed “Umnini Rural – Zone 2” to ‘Mnini Rural – Zone 2”
596	Changed “Umnini Reservoir” to “Mnini Reservoir”
598	Changed “Umnini Reservoir” to “Mnini Reservoir”
612	Changed “Umnini – Sport precinct SD” to “Mnini – Sport precinct SD”
646	KPI 2.8 Inserted the Reason for Variance and Measures taken to improve performance
650	KPI 2.16 Summarised the Reason for Variance and inserted Measures taken to improve performance

5. Annual Report Checklist

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	**Financial reporting matters to be considered**	
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General.	The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the accounting standards for municipalities. ***<u>Have the required standards been met?</u>***	**Yes** **See Clauses 1&2 of the AG's Report, Page 381 of the Annual Report** **Yes** **See Clauses 1&2 of the AG's Report, Page 381 of the Annual Report**
121 (3)(a) 121 (4) 121 (4)(b)	The above applies also to the AFS of municipal entities.	**Yes** **See Clauses 1&2 of the AG's Report, Page 381 of the Annual Report**
121 (3) (e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?	**Yes.** **See Note 7, Pages 799-800 of the Annual Report.** **We note the following actions which are being taken to improve the collection of consumer debtors:** **a. Portfolio of customers and risks - Customers are being profiled in terms of the number of properties they own within the municipality and the total amount owed to the municipality. If the properties are registered under the same entity the receipts are transferred between properties and then disconnection is actioned.** **b. Business Accounts and Major Debtors Team - A team was formed to follow on outstanding accounts for businesses and major accounts. Major accounts are identified as those customers that have more than 50 properties within the municipality. The assumption is that businesses and major debtors are operating for profit and they should be able to pay for services and rates. This team is working well and progress is visible.** **c. Government Team - Government team follows up on outstanding debt owed by government departments. This team is very effective and only encounter challenges when there are issues raised by government departments e.g. valuation queries.**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
	Is any other action required to be taken?	**d. Top Debts Teams - Top debts teams pursue all customers that have huge amounts outstanding. Approximately 80% of debt lies with the top 20% of customers.** **e. Councillors and Staff Accounts Team - Schedule 2 of MSA specifies that councillors and staff are not supposed to be in arrears for the period of more than 90 days. There is a team that looks after this category of customers.** **f. Prepaid meters - There is a report that was approved by Council recently where the installation of electricity prepaid meters will be escalated in residential properties. Electricity prepaid meters will be considered for businesses as well to limit the exposure of the municipality to increased debt and non-reading of meters. The Water Department will investigate the possibility of installing prepaid meters as well.** **g. Smart Meters - Water and Electricity committed to change into smart metering by 2025. Accordingly, an implementation strategy and plan is awaited for monitoring and budget purposes.** **h. Direct Debits and Sureties - When the customers sign an agreement to pay the debt over extended period they have to commit to direct debit as well as sign deed of suretyship. This enables the municipality to recover the outstanding amounts easily unless the customer closes the bank account and does not have any other property within the municipality. It is believed that the strategies raised above will yield results since the RMS system has been stabilised.** **See item 3 under 6. Audit Report below (page 29)**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.	The conclusions of the annual audit are: - ✓ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; ✓ The objective of the municipality should be to achieve an unqualified audit opinion. ✓ Taking into account the audit report, audit opinion and the views of the audit committee, council considered: -	**The Municipality achieved an unqualified audit with matters of emphasis.**
	• To what extent does the report indicate serious or minor financial issues?	**The Auditor General made material findings on compliance with key legislation relating to expenditure management, consequence management as well as procurement and contract management. Reasonable steps were again not taken by management to prevent irregular expenditure; the majority of which was as a result of non-compliance with the municipality's Supply Chain Management Policy as it relates to the procurement of goods and services. Of great concern was the lack of consequence management.**
	• To what extent are the same issues repeated from previous audits?	**Management has to a large extent implemented the necessary controls and processes to address matters raised in previous audits. However, the action plans implemented were not adequate as certain control initiatives over the areas of consequence management and effective procurement planning and compliance monitoring have not been fully implemented. In addition, controls over asset management and reviews over the financial and performance information have deteriorated. This has resulted in new and repeat audit findings which require urgent follow up action.**
	• Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?	**Some of the remedial actions are not addressing the root causes and do not contain the necessary preventative measures to ensure the finding does not recur. A few are either not adequately addressing the finding or are not sufficient to address the root causes. Improvements to these actions are therefore necessary.**
	• Has a schedule of action to be taken been included in the annual report, with appropriate due dates?	**The Action Plan is attached as Annexure "B"**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
	Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC for Cooperative Government & Traditional Affairs to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC.	**The Audit Report was submitted to COGTA on 06th February 2020.**
121 (3)(f) An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.	The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly. Has the performance met the expectations of council and the community? Have the objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?	**Yes.** **See Appendix K(i), Page 550; Appendix K(ii), Page 551 of the Annual Report.** **Yes, in light of the prevalent economic conditions.** **Yes, total revenue of R34.843 billion, excluding capital transfers and contributions, was achieved billion, compared to an adjusted budget of R36.731 billion.** **The key revenue challenges include water loss in distribution and the current economic climate characterised by high unemployment, high inflation, volatile and weak currency, rising food and fuel process and low growth rate However, the municipality was still able to collect 91.9% of the revenue it billed. The total revenue grew by 4% year on year. The major sources were electricity (33.3%), property rates (22.9%), grants & subsidies (22.1%) and water (10.4%).** **Total expenditure grew by 5% from the previous financial year. The main concern relates to over-expenditure with regard to items such as security, overtime and EPWP.** **The total capital spend was 75%. The main reasons for the under-spend were delays due to work stoppages by business forums and service delivery protests.**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.	Review any other information that has been included in regard to the AFS.	
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	**Financial reporting matters to be considered**	
121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities.	Have the recommendations of the audit committee in regard to the AFS and audit reports been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations?	**Based on the processes and assurances obtained, the Audit Committee believes that internal controls are effective in most areas. However, the Committee highlighted the following, interalia, as significant areas requiring improvement:** **a. Regarding the deterioration with regard to irregular expenditure, improvement is recommended with regard to:** **▪ Swift and consistent investigations.** **▪ Consequence management to ensure effective accountability for non-compliance.** **▪ Upholding high ethical culture at all levels.** **▪ Publicly pronounce zero tolerance of irregularity and fraud.** **▪ Proper document management and contract management throughout the municipality is essential.** **b. The Accounting Officer must ensure that the municipality's Labour Relations Unit, Management and other relevant parties urgently respond to and implement recommendations from CIIU. The Disciplinary Board must also be strengthened in order to assist with these processes.** **c. The overall programme management for the municipality's capital projects should be enhanced to reduce the levels of irregularities and project delays.** **d. Immediate action is required to eliminate the remaining challenges of the Revenue Management System as these are impacting negatively on debtors' collection; consumer queries and service perception.** **e. Implementation of a legal compliance function to be undertaken swiftly.** **f. As water losses are significantly higher than the benchmark, the Accounting Officer should ensure that all stakeholders continue with efforts to diligently manage and reduce the losses** **g. The Accounting Officer should take adequate steps to ensure that the risk management culture is revived and that risk owners prioritise the management of risks and linkage to governance structures.**

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
2. Disclosures - Allocations received and made - Section 123-125 MFMA	**Considerations**	
123 (1)(a) Allocations received by and made to the municipality.	The report should disclose: ✓ Details of allocations received from another organ of state in the national or provincial sphere. ✓ Details of allocations received from a municipal, entity or another municipality ✓ Details of allocations made to any other organ of state, another municipality, or a municipal entity. ✓ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution. Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?	**Yes.** **See pages 347-353 (Grant Performance);** **Appendix L (Conditional Grants Received), Pages 553-554;** **Note 22 (Unspent Conditional Grants and Receipts), Page 796;** **Note 31 (Government Grants and Subsidies), Pages 836-842 of the Annual Report.** **Yes.** **See Appendix P (Declaration of Loans and Grants made by the Municipality), Pages 629-634 of the Annual Report.** **Yes.** **Yes.** **No.**
125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.	Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities. It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.	**See Note 7, Pages 799-800 of the Annual Report.** **Yes.** **See Note 21 (Employee Benefit Obligations), Pages 820-827 of the Annual Report.** **See Note 45 (Additional Disclosures in terms of MFMA), Page 832 of the Annual Report.**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
	Council should be satisfied that – ✓ the information has been properly disclosed; ✓ conditions of allocations have been met; and ✓ that any explanations provided are acceptable.	**Yes.**
2. Disclosures - Allocations received and made - Section 123-125 MFMA	**Considerations**	
123 (1)(c) Information in relation to the use of allocations received.	Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include: ✓ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided. ✓ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.	**Yes.** **Note 31, Pages 836-842 of the Annual Report.** **Yes.** **Note 31, Pages 836-842 of the Annual Report.** Neighbourhood Development Grant: R28.9m was withheld and the roll-over not approved because National Treasury did not support the roll over and indicated that the unspent amount has been included in the new year's allocation. Public Transport Conditional Grant: R306.6m was withheld and the roll-over was not approved because of late appointment of contracts (ROW Construction from MR577 Marbleray, C1A: N2/Inanda to Alpine, Aberdare Drive to Phoenix Industrial, Umhlanga, Umhlanga Ridge Boulevard, C1A: Marbleray to N2/Inanda, NCP Phase 2). The National Department of Transport said it was not clear from the project cash flow which

<table>
<tr><th>Information Required To Be Included In Annual Reports</th><th>Council Considerations And Questions</th><th>Responses/Comments</th></tr>
<tr><td></td><td></td><td>projects were linked to the unspent amount of R306m.

Infrastructure Skills Development Grant: Agreement in place to transfer an amount of R23m to Umngeni Water and the roll-over of R5m was disallowed.

Government Health Subsidy: Was delayed and an amount of R68m was subsequently received from the KZN Department of Health. The roll-over of R12m has been disallowed. The figures were based on the claims submitted but not yet audited by the Department. After the audit, the figures were reduced. The accrual was therefore overstated by R12m.</td></tr>
<tr><td>3. Disclosures in notes to AFS</td><td>Considerations relating to section 124</td><td></td></tr>
<tr><td>Information relating to benefits paid by municipality and entity to Councillors, directors and officials.</td><td>Information on the following items is to be included in the notes to the annual report and AFS: -

✓ salaries, allowances and benefits of political office bearers, Councillors and boards of directors, whether financial or in kind;

✓ any arrears owed by individual Councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of Councillors;

✓ salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager;
✓ contributions for pensions and medical aid;
✓ travel, motor car, accommodation, subsistence and other allowances;
✓ housing benefits and allowances;
✓ overtime payments;
✓ loans and advances, and;
✓ any other type of benefit or allowance related to staff.

Council should be satisfied that –
✓ the information has been properly disclosed;</td><td>Yes.
See Note 34, Pages 849-850 of the Annual Report

Yes.
See Note 46, Page 865 of the Annual Report

Yes.
See Note 33, Page 843-848 of the Annual Report
See Note 33, Page 843 of the Annual Report
See Note 33, Page 843 of the Annual Report
See Note 33, Page 843 of the Annual Report
See Note 33, Page 843 of the Annual Report
N/A
See Note 33, Page 843 of the Annual Report

Yes
Yes
Yes</td></tr>
</table>

<table>
<tr><th>INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS</th><th>COUNCIL CONSIDERATIONS AND QUESTIONS</th><th>RESPONSES/COMMENTS</th></tr>
<tr><td></td><td>✓ conditions of allocations have been met; and
✓ that any explanations provided are acceptable.</td><td></td></tr>
<tr><td>4. Municipal Performance</td><td>Considerations</td><td></td></tr>
<tr><td>The annual performance reports of the municipality and entities.</td><td>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are –
✓ Has the performance report been included in the annual report?
✓ Have all the performance targets set in the budgets, SDBIP, service agreements etc., been included in the report?
✓ Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?

In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation, and electricity been reduced? What are the refuse collection volumes, library usage statistics etc.?</td><td>Yes
Yes

Yes

<table>
<tr><th>Unit</th><th>National Norm (%)</th><th>Actual (%)</th><th>No. of Households with Access</th></tr>
<tr><td>Basic Level of Water</td><td>92</td><td>84.66</td><td>953 097</td></tr>
<tr><td>Basic Level of Sanitation</td><td>100</td><td>75.19</td><td>846 487</td></tr>
<tr><td>Basic Level of Electricity</td><td>92</td><td>64.65</td><td>727,783</td></tr>
<tr><td>Basic Level of Solid Waste Removal</td><td>100</td><td>94.48</td><td>1 063 624</td></tr>
<tr><td>Basic Water delivery to Indigent Households</td><td>100</td><td>98.53</td><td>580 909</td></tr>
<tr><td>Basic Sanitation delivery to Indigent Households</td><td>100</td><td>74.47</td><td>439 077</td></tr>
<tr><td>Basic Electricity delivery to Indigent Households</td><td>100</td><td>18.61%</td><td>106 191</td></tr>
<tr><td>Refuse Removal service to Indigent Households</td><td>100</td><td>106.06</td><td>626 343</td></tr>
</table>

73.58% of the key performance indicators for basic service delivery were achieved.
No.

A Municipal Services and Living Conditions Survey was undertaken. The results</td></tr>
</table>

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
	✓ To what extent has performance achieved targets set by council? ✓ Is the council satisfied with the performance levels achieved? ✓ Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?	**are summarised below:**

Satisfaction with Municipal Service Delivery	Average 2015/16	Average 2016/17	Average 2017/18	Average 2018/19
Satisfaction with toilet facility	2.61	2.21	2.22	2.34
Satisfied with water supply	2.54	2.40	2.22	2.30
Satisfied with refuse removal	2.50	2.24	2.32	2.49
Satisfied with electricity supply	2.49	2.17	2.24	2.25
Average satisfaction with basic household services	2.54	2.26	2.25	2.35
Very satisfied (1 to 1.99)	Satisfied (2 to 2.99)	Dissatisfied (3 to 3.99)	Very Dissatisfied (4 to 4.99)	

The majority of the respondents mentioned Lack of maintenance/ not usable and Unsatisfactory (pit system/bucket system/far from main building) as their main reasons for their dissatisfaction with the toilet system they use, especially with respondents using Urine Diversion Toilets and Communal Toilets.

Overall 81.8% of respondents were happy with the refuse removal service. Poor service (14.8%), and no refuse collection (2.9%) were some of the reasons for dissatisfaction, especially when it came to removal by the municipality /contractors from community refuse and refuse placed on communal refuse dump but not collected by the local authority.

88.6% of respondents were satisfied with the water supply. Considering all types of water supply, dissatisfied respondents mentioned "Cutting off supply without notice" as their major reason their dissatisfaction levels.

For respondents who expressed dissatisfaction with electricity by type of electrical supply, their main reason was service affordability, both for electricity with conventional meters and electricity with prepaid card. The dissatisfaction score for service affordability with electricity with conventional meters and electricity with prepaid card was 50% and 53.3% respectively.

	✓ What actions have been taken and planned to improve performance?	**Various measures and undertakings have been made to improve performance.**
	✓ Is the council satisfied with actions to improve performance?	**No**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
	✓ Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager? ✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? ✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective? ✓ To what extent have actions planned for the previous year been carried over to the financial year reported upon? ✓ Have any actions planned in the reported year been carried over to the current or future years? If so, are any explanations been provided by the municipal manager and are these satisfactory?	**Yes** **No** **The Auditor General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for Plan 3: Creating a Quality Living Environment and Plan 7: Good Governance and Responsive Local Government. As management subsequently corrected the misstatements, the AG did not raise any material findings on the usefulness and reliability of the reported performance information.** **However, the Audit Committee raised concern about the relevance of the key performance indicators for service delivery programmes and advises that a review be performed in order to revise some indicators. The Committee also believes that consequence management for non-performance must be instituted where necessary.**
Audit reports on performance.	Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?	**Yes** **Yes**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
Performance of municipal entities and municipal service providers.	The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officer?	**The assessment of contracted service providers is included in the annual report. See Appendix I; Pages 541-545 of the Annual Report** **During the audit, the Auditor General could not obtain sufficient appropriate evidence that the performance of some of the contractors was monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.** **No** **Assessments must be undertaken and reported timeously by Departments to enable the proper analysis of performance. The Business Support Unit should urgently intervene in instances when suppliers underperform.**
5. General information	**The following general information is required to be disclosed in the annual report.**	
Relevant information on municipal entities.	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses, and contact details for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with the entities.	**Yes** **Durban International Convention Centre. See Pages 301-303 of the Annual Report.** **uShaka Marine Theme Park. See Pages 304-306 of the Annual Report.**
The use of any donor funding support.	What donor funding has the municipality received? ✓ Have the purposes and the management agreements for the funding been properly agreed upon? ✓ Have the funds been used in accordance with agreements? ✓ Have the objectives been achieved? ✓ Has the use of funds been effective in improving services to the community? ✓ What actions need to be taken to improve utilisation of the funds?	**Various. See Note 30, Pages 836-842 of the Annual Report.** **Yes** **Yes** **Yes** **Yes** **None**
Agreements, contracts and	Information similar to the details of municipal entities	**No public private partnerships were entered into during the year.**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
projects under Private-Public-Partnerships.	should be provided. Council should ensure that all details have been supplied.	
Service delivery performance on key services provided.	This may be a high-level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms.	**See Appendix U: SDBIP Report on Pages 636-745 of the Annual Report**
Information on long-term contracts.	Details of all long-term contracts including levels of liability to the municipality should be included.	**Not disclosed.**
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.	**Not disclosed.**
Capital plan for addressing infrastructure backlogs	A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.	**Not disclosed.**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
6. Other considerations recommended		
Timing of reports.	Was the report tabled in the time prescribed?	**Yes.**
Oversight committee or other mechanism.	What mechanisms have been put in place to prepare the oversight report?	**The Municipal Public Accounts Committee was delegated the responsibility of preparing the oversight report.**
Payment of performance bonuses to municipal officials.	Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?	**Performance bonuses for the year under review have not yet been paid to any Section 57 Manager.** **Performance will be assessed based on achievements of agreed outputs and will only be paid after the adoption of the Oversight Report where applicable**.
Public Consultative meetings: Organisations identified, consulted and feedback documented	Needs to be noted and should be included in the annual report Feedback	**The following stakeholders were engaged: -** • **Informal Traders at Durban City Hall** • **Traditional Leaders at the Pinetown Civic Centre** • **People with Disabilities at Durban City Hall** • **Civil Society at Durban City Hall** • **Formal Business at the Moses Mabhida Stadium** **A number of issues were raised during the public participation process.** **See Annexure A for feedback received**

Information Required To Be Included In Annual Reports	Council Considerations And Questions	Responses/Comments
Annual report distribution points and feedback documented	Distribution points. Feedback	**The Annual Report was placed for inspection at Municipal Libraries, Sizakala Centres, at the City Hall and Rennie House. In addition, a copy was posted on the Municipality's website and copies were circulated to all Councillors.** **Submissions were received via email, telephone and from Support Committees.** **See Annexure A for the feedback received.**

6. AUDIT REPORT

1. NON-COMPLIANCE WITH LAWS AND REGULATIONS

1.1 Irregular Expenditure

The Auditor-General found that reasonable steps were not taken to prevent the irregular expenditure of R2,34 billion disclosed in note 52 to the annual financial statements of the municipality, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was as a result of non-compliance with supply chain management (SCM) regulations. 56% of this irregular expenditure was identified during the audit process and not detected by the municipality's monitoring processes. The root causes of the lack of effective prevention and detection are inadequate monitoring controls over demand and contract management. Of the irregular expenditure incurred, goods and services were not received for expenditure amounting to R45,7 million.

We note the Auditor-General's concern that despite the commitments provided by senior and executive leadership to improve the supply chain management (SCM) control environment, there has been a slow response by management in ensuring that there are adequate controls to prevent and detect irregular expenditure. Coupled to this is a slow response by management to effectively deal with employees who have transgressed the relevant SCM polices and processes. This is evident from the repeat findings on procurement and contract management as well as consequence management that were identified during the current year.

The following internal control deficiencies were identified by the Auditor-General:

a. Inadequate controls over demand management resulting in contracts and awards procured without inviting competitive bids, and the deviations were approved even though it was practical to invite competitive bids.
b. Inadequate monitoring controls over bid documentation and compliance checklist to ensure all required documentation as required by SCM regulations has been reviewed for each prospective bidder before an award can be made.

Management was urged to review the adequacy of its initiatives as per the audit action plan to effectively prevent and detect irregular expenditure. It was felt that the review should also include the adequacy of consequence management for line departments with repeat findings.

Management responded as follows to the finding:

a. Sufficient controls to effectively prevent and detect irregular expenditure from the placing of an order to the actual payment. Payments are not released if irregular and the expenditure not regularised. However, the audit comments were noted.
b. The increase in irregular expenditure is as a result of matters outside of the control environment and these matters are either under investigation or as a result of unforeseen circumstances.
c. All irregular expenditure identified is reported to and investigated by the City Integrity and Investigations Unit.
d. In addition, a consequence management monitoring schedule is maintained.

As we are not satisfied that Management is taking the necessary steps to prevent irregular expenditure or ensuring effective consequence management when it has been incurred

COMMITTEE RECOMMENDS:

That the Supply Chain Management Unit be urgently resourced to ensure that it strengthens the Municipality's demand management, procurement planning and contract management initiatives as weaknesses in this regard appear to be the root cause of the irregular expenditure.

1.2 <u>Procurement and Contract Management</u>

1.2.1 The Auditor-General found that the performance of some of the contractors was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. There was ineffective monitoring of contracts by the respective project managers which has resulted in slow progress on projects and poor quality of goods and services identified during site visits.

Management advised that Section 53 of the SCM Policy is entitled "PERFORMANCE MONITORING OF SERVICE PROVIDERS", which gives effect to Section 116(2) of the MFMA. The SCM Unit produces regular reports based on submissions received from the various Line Units based on the contracts under their supervision to ensure the following objectives:

a. Ensure a high quality of service is maintained
b. Detect underperformance early, thereby reducing the risks to projects
c. Create mechanisms to improve performance where targets are not being achieved
d. Provide data to municipal officials so that informed decisions can be made
e. Assist in government's developmental objectives in the form of structuring appropriate business support strategies/interventions to targeted enterprises
f. Assess the suitability of a service provider for pre-qualification, selective tender lists or expressions of interest.

Further, MPAC does call in Units who have not provided the necessary reports to account, which serves as an additional control measure to ensure such is being implemented.

1.2.2 An additional finding related to invitations for competitive bidding not being advertised for a required minimum period of 30 days, as required by SCM regulation 22(1).

We have noted that the accounting officer has agreed to ensure that the blanket approach for advertising bids for periods less than 30 days should be stopped with immediate effect and controls should be implemented to ensure strict adherence to Regulation 22 and a deviation from a minimum of 30-day advert period should be considered only on a case by case basis where it is concluded that a 30-day advert period is impractical.

1.2.3 The Auditor-General also found that some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, as required by SCM regulation 36(1).

In response, Management indicated that the finding relates to an item that is currently before the Commercial Crimes court and has been responded to as such by the Line Unit concerned.

As service provider performance impacts hugely on service delivery,

COMMITTEE RECOMMENDS:

That the monitoring of the review of service provider performance should be included as an area of oversight by all relevant Support Committees; with the Economic Development & Planning Committee further being required to oversee the aspect of the provision of capacity building measures and support to underperforming service providers.

1.3 Expenditure Management

During the audit of operating expenditure, the Auditor-General found payments by for the Water & Sanitation Unit, Electricity Unit and Rates & General were made more than 30 days after receipt of the invoice; in contravention of section 65(2)(e) of the MFMA.

The internal control deficiency identified was that Management did not ensure that line departments timeously send all supporting documents for payment to the accounts payable department.

Management says the finding is attributable to strict internal control processes put in place to ensure that only valid payments are processed, after taking into account compliance with Supply Chain Management Regulations, compliance with the minimum requirements of value-added taxation regarding valid tax invoices and after resolving any disputes between the creditor and the municipality. Furthermore, invoices not supported by all the required documentation are not paid until such time the information is made available, hence the higher than normal creditor’s payment period. This is in line with section 62 of the Municipal Finance Management Act stating that the resources of the municipality must be used effectively, efficiently and economically. All other valid invoices are paid within 30 days.

Being in support of the Auditor-General’s views in relation to this matter

COMMITTEE RECOMMENDS:

1.3.1 That the finance managers should implement stricter controls over the payments process; expenditure vouchers should be redesigned such that approval dates for each stage of the process are clearly evident.

1.3.2 That the Chief Financial Officer should consider the implementation of a payment route form which will aid in tracking every stage of the payment process and isolating responsibility for where there are delays that could have been avoided.

2. FRAUD AND CONSEQUENCE MANAGEMENT

In terms of section 62(1)(e) of the MFMA states that the accounting officer is responsible for the financial administration of the municipality and for this purpose must take all reasonable steps to ensure that disciplinary action or appropriate criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct.

However, the Auditor-General found that:

a. Disciplinary proceedings were not instituted by the council where the report of independent investigators confirmed the financial misconduct by a senior manager, as required by disciplinary regulation 5(6) for senior managers and municipal regulation 6(8) on financial misconduct procedures and criminal proceedings. A total of 29 cases was identified (11 relate to cases audited during 2018/19 and 18 relate to cases reported in the 2017/18 final management report).

b. Appropriate action was not taken against officials of the municipality where investigations proved financial misconduct, as required by section 171(4)(b) of the MFMA and municipal regulation 6(8) on financial misconduct procedures and criminal proceedings (11 cases).

Management advises that the City Manager has appointed an external team to proceed with the implementation of the CIIU recommendations. The City Manager is also in the process of drafting a report to the Executive Committee in terms of the legislation governing the discipline of Section 56 employees. The processes are said to be underway.

Whilst we note the measures undertaken by the Accounting Officer, we are concerned that the Disciplinary Board appears to have been rendered dysfunctional.

As such,

COMMITTEE RECOMMENDS:

2.1 That the Municipality clearly communicate its non-tolerance of fraud and corruption to its employees, residents and service providers; and ensure that appropriate action is taken timeously in all instances of wrong doing.

2.2 That consequence management should be instituted immediately when wrong doing by officials is identified and that disciplinary action be taken against managers and senior managers who fail to take appropriate action against their staff members.

2.3 That the Disciplinary Board be appropriately resourced and empowered to effectively undertake its duties of overseeing the Municipality’s consequence management interventions.

3. BAD DEBT PROVISION AND WRITE-OFF OF BAD DEBT

3.1 As disclosed in note 7 to the consolidated and separate financial statements a provision for bad debts of R5,41 billion (2017-18: R4,66 billion) on consumer debtors was recognised, as the recoverability of these amounts was doubtful.

We note that there are a number of collection strategies that are being undertaken; the following being the main ones:

a. Portfolio of customers and risks - Customers are being profiled in terms of the number of properties they own within the municipality and the total amount owed to the municipality. If the properties are registered under the same entity the receipts are transferred between properties and then disconnection is actioned.
a. Business Accounts and Major Debtors Team - A team was formed to follow on outstanding accounts for businesses and major accounts. Major accounts are identified as those customers that have more than 50 properties within the municipality. The assumption is that businesses and major debtors are operating for profit and they should be able to pay for services and rates. This team is working well and progress is visible.
b. Government Team - Government team follows up on outstanding debt owed by government departments. This team is very effective and only encounter challenges when there are issues raised by government departments e.g. valuation queries.
c. Top Debts Teams - Top debts teams pursue all customers that have huge amounts outstanding. Approximately 80% of debt lies with the top 20% of customers.
d. Councillors and Staff Accounts Team - Schedule 2 of MSA specifies that councilors and staff are not supposed to be in arrears for the period of more than 90 days. There is a team that looks after this category of customers.
e. Prepaid meters - There is a report that was approved by Council recently where the installation of electricity prepaid meters will be escalated in residential properties. Electricity prepaid meters will be considered for businesses as well to limit the exposure of the municipality to increased debt and non-reading of meters. The Water Department will investigate the possibility of installing prepaid meters as well.
f. Smart Meters - Water and Electricity committed to change into smart metering by 2025. Accordingly, an implementation strategy and plan is awaited for monitoring and budget purposes.
g. Direct Debits and Sureties - When the customers sign an agreement to pay the debt over extended period they have to commit to direct debit as well as sign deed of suretyship. This enables the municipality to recover the outstanding amounts easily unless the customer closes the bank account and does not have any other property within the municipality. It is believed that the strategies raised above will yield results since the RMS system has been stabilized.

3.2 As disclosed in note 50 to the consolidated and separate financial statements, material losses of R858,8 million (2017-18: R1,41 billion) were incurred by the municipality due to write offs on irrecoverable debts relating to rates, services, housing and sundry debtors.

Management advised that the directive from the National Prosecuting Authority effectively results in the write off of traffic fines where summons have not been issued within 18 months of the offence or where warrants have not been executed within 2 years of date of issue.

Efforts to improve the serving of fines and consequently increase fine income collection and reduce the number of fines written off are outlined below:

a. The recruitment for an additional 600 new recruits is currently in progress and this will assist with serving of summons by Members of the service from the different regions.
b. Initiating SCM processes to acquire contracted summons servers following the intended service providers that bid having failed the process.
c. Continuous increase in manned roadblocks; where summons are checked together with outstanding warrants of arrest, in an attempt to gradually improve the income received.

We note that the other write-offs were undertaken in terms of section 29 of the Credit Control & Debt Collection policy as follows:

a. Rates – residential properties with property value up to R 230 000 & Vacant properties up to R 30 000 – Rates lifeline policy.
b. Housing, Water, Sanitation & other - In terms of section 29.1(d) – prescribed debts.

We are concerned that whilst the remedial action being undertaken by Management is commendable, it unfortunately appears not to be very effective.

Accordingly,

COMMITTEE RECOMMENDS:

That the following interventions be undertaken to address the alarmingly high levels of debt owed to the municipality:

a. The affordability of tariff increases be reviewed in light of the current tough economic times.
b. Measures be undertaken to drastically reduce expenditure and ensure the implementation of cost containment measures.
c. The poor payment culture of government departments and state-owned entities be raised sharply with SALGA, the National Minister of Finance and the National Minister of Cooperative Governance & Traditional Affairs.

4. <u>MATERIAL WATER LOSSES</u>

As disclosed in note 50 to the consolidated and separate financial statements, material water losses of 126,18 million kilolitres (2017-18: 105,22 million kilolitres) were incurred, which resulted in revenue losses of R968 million (2017-18: R714 million). These losses arose from ageing and deteriorating infrastructure as well as illegal connections.

We have noted that the Water & Sanitation Unit is implementing a number of water loss
interventions as follows:

a. Pressure Management;
b. Pipe Replacement Programme;
c. Metering of Key infrastructure which include;

d. Installation of Bulk Meters to Informal Settlements;
e. Installation of meters in rural areas;
f. Installation of meters in housing project areas; and
g. Upgrade to Industrial, Commercial and Institutional (ICI) Water Meter Installations

Other key initiatives undertaken that address real losses are said to be:

a. Reduce response times to leaks and bursts;
b. Proactive leak detection and repair;
c. Maintenance of key water infrastructure (bulk pipelines, pressure reducing valves, reservoirs, pump stations); and
d. Public awareness regarding the water conservation and general good practices for water consumption by the community.

We are however concerned that these initiatives appear not to be yielding the desired results.

In view of the foregoing and having noted the Audit Committee's view that, as the water losses are significantly higher than the relevant benchmarks, the Accounting Officer should ensure that all stakeholders continue with diligent efforts to manage and reduce these losses

COMMITTEE RECOMMENDS:

That the Human Settlements & Infrastructure Committee be requested to review the effectiveness of the Water & Sanitation Unit's water loss mitigation measures on a monthly basis and submit a progress report to the Municipal Public Accounts Committee on a quarterly basis.

6. MATERIAL ELECTRICITY LOSSES

As disclosed in note 50 to the consolidated and separate financial statements, material electricity losses of 714,83 million kilowatt hours (2017-18: 783,51 million kilowatt hours) were incurred by the municipality, which resulted in revenue losses of R575 million (2017-18: R590 million). These losses arose as a result of transmission and distribution losses as well as illegal connections.

Management is undertaking the following actions to reduce technical losses and attributes non-technical losses to the following:

Technical Losses	**Non-Technical Losses:**
Optimal Network Configuration Effective Maintenance on Network Efficient Network Loading Identification of high loss equipment Optimised switching operations; Upgrade/replacement of overloaded equipment Load balancing on LV Networks	Illegal bypasses of credit metered customers Illegal bypasses of prepaid metered customers Illegal de-calibration of meters Faulty Voltage and Current transformers Billing Errors

During our deliberations with Management we noted with concern, the view that as the losses are within the norm, they are therefore acceptable. A loss of R575 million, in our view, is significant and therefore unacceptable. We urge the Human Settlements & Infrastructure Committee to closely monitor these losses and ensure that the required mitigation measures are instituted

Therefore,

COMMITTEE RECOMMENDS:

That the Human Settlements & Infrastructure Committee submit a report to the Municipal Public Accounts Committee, within two months, on the measures being undertaken to mitigate the electricity losses.

7. ANNUAL FINANCIAL STATEMENTS

We have noted the improvements on the quality of the annual financial statements presented for audit.

The key highlights of the financial statements are:

▪ Surplus for the year *increased* by:	2%
▪ Total revenue *increased* by:	4%
▪ Total expenditure *increased* by:	5%
▪ Accumulated surplus funds and reserves increased by:	5%
▪ Net cash and cash equivalents *increased* by:	8%
▪ Total assets *increased* by:	7%
▪ Consumer debtors *increased* by:	25%

The main expenditure concern again this financial year relates to escalating costs for items such as security, overtime and EPWP.

Notwithstanding the Auditor General's independent opinion on the financial health of the Municipality for this year being "good", we wish to bring to Council's attention the following worrying trends:

a. *Cash on Hand*
This has reduced from the 97.7 days (in 2012/13) to 60 days in the current financial year. Whilst this is slightly above National Treasury's benchmark of 30-60, the downward trend is of great concern. Urgent steps to review expenditure patterns and implement cost containment measures must be undertaken.

b. *Collection Rate*
Whilst the collection rate of 92%, in the current financial year is within National Treasury benchmark; the downward trend from 103.8% in 2012/13 to the current rate is worrying. If this trend continues, the Municipality may reach a stage where it is unable to meet its commitments.

As we are extremely concerned about the financial sustainability of the Municipality, going forward,

COMMITTEE RECOMMENDS:

That the Finance, Safety and Security Committee be requested to urgently provide recommendations to Council on measures to be undertaken to curb the Municipality's spiralling expenditure; as revenue is unlikely to be increased amid the current tough economic challenges characterised by high unemployment rates, high cost of living and diminishing disposable income, which affect the ability of consumers to pay municipal debt.

8. INTERNATIONAL CONVENTION CENTRE (ICC)

The Auditor-General found that the financial statements submitted for auditing by the ICC 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 and comparative revenue and cost of sales identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

The root cause of the finding, the Auditor-General advises, was that:

- Management did not perform sufficient monitoring and review of the valuation assumptions for the building.
- Management did not ensure the consistent presentation and disclosure of agent/principal revenue.

The Auditor-General recommends that:

- Management must ensure that the valuation assumptions are prudent and must review the inputs and assumptions provided by the management expert.
- Management must ensure that financial information presented in the financial statements is consistent and comparable.

On 2020-02-14 we engaged with Chief Executive and Financial Officers of the ICC regarding our concerns about the regression of the Entity's audit outcome. We were advised of the Entity's dissatisfaction with the finding due to a difference of interpretation with the Auditor-General regarding the valuation of the building. The Auditor-General was however of the view that there were other material adjustments, such as overstatement of cost of sales as well as errors by the valuation expert. We have requested the Chief Executive Officer to report the outcome of the discussions with the Auditor-General, so that we can ensure that the matter is appropriately resolved and does not result in further findings in future.

Therefore

COMMITTEE RECOMMENDS:

That it be noted that a report will be submitted once the International Convention Centre and the Auditor-General have concluded engagements on the Entity's audit outcome.

9. PERFORMANCE REPORT

The Auditor-General evaluated the usefulness and reliability of the reported performance information of Plan 3: Creating a Quality Living Environment as well as Plan 7: Good Governance and Responsive Local Government as presented in the annual performance report of the municipality for the year ended 30 June 2019.

In the process of the audit, material misstatements were identified in the annual performance report submitted for auditing. However, as management subsequently corrected the misstatements, no material findings on the usefulness and reliability of the reported performance information were raised.

Service Delivery and Budget Implementation Plan: As at 30 June 2019

PLAN	PLAN NAME	NO. OF KPIs	NO. OF KPIs ACHIEVED	NO. OF KPIs NOT ACHIEVED	ACHIEVEMENT
Plan 1	Develop and Sustain our Spatial, Natural & Built Environment	12	12	0	100%
Plan 2	Developing a Prosperous, Diverse Economy and Employment Creation	16	11	5	68.75%
Plan 3	Creating a Quality Living Environment	53	39	14	73.58%
Plan 4	Fostering a Socially Equitable Environment	15	11	4	73.33%
Plan 5	Supporting Design, Human Capital Development & Management	18	17	1	94.44%
Plan 6A	A Vibrant & Creative City – The Foundation for Sustainability and Social Cohesion	6	6	0	100%
Plan 6B	Stadia Facilities Unit	2	1	1	50%
Plan 7A	Good Governance & Responsive Local Government	11	8	3	72.73%
Plan 7B	Good Governance & Responsive Local Government	5	5	0	100%
Plan 8	Financially Accountable & Sustainable City	13	9	4	69.23%
Overall achievement		**151**	**119**	**32**	**78.81%**

PLAN NAME	NO. OF KPIs	NO. OF KPIs ACHIEVED	NO. OF KPIs NOT ACHIEVED	ACHIEVEMENT
ICC	18	18	0	100%
uShaka Marine Theme Park	17	14	3	82.35%

The crafting of appropriate KPIs remains a challenge for the City. We continue to be concerned about the relevance of some of the KPIs and share the Audit Committee’s views that their achievement does not have the desired impact on service delivery and does not meet the expectations of residents of the City.

The annual Municipal Services and Living Conditions Survey was undertaken as planned. The aim of the survey is to listen to citizens' feedback and perceptions in relation to the following:

- their living conditions;
- their satisfaction with Municipal services and with their neighbourhoods;
- and their satisfaction with the quality of their own lives.

Satisfaction with Basic Household Services

	Average 2015/16	Average 2016/17	Average 2017/18	Average 2018/19
Satisfaction with toilet facility	**2.61**	**2.21**	**2.22**	**2.34**
Satisfied with water supply	**2.54**	**2.40**	**2.22**	**2.30**
Satisfaction with refuse removal	**2.50**	**2.24**	**2.32**	**2.49**
Satisfaction with electricity supply	**2.49**	**2.17**	**2.24**	**2.25**
Average Satisfaction with Basic Household Services	**2.54**	**2.26**	**2.25**	**2.35**
Very satisfied (1 to 1.99)	**Satisfied (2 to 2.99)**	**Dissatisfied (3 to 3.99)**	**V Very dissatisfied (4 to 4.99)**	

Whilst the respondents have indicated a general satisfaction with basic household services, there is a gradual decline in satisfaction levels. Should there be continued misalignment between the City's service delivery programme and customer needs; this may result in satisfaction levels dropping to dissatisfied and very dissatisfied.

Therefore,

COMMITTEE RECOMMENDS:

9.1 That the Head: Performance Monitoring & Evaluation provide assistance to Plan Owners with regard to the crafting of appropriate key performance indicators to ensure the desired impact on service delivery.

9.2 That the presentation on the Municipal Services and Living Conditions Survey: 2018/2019 be provided to the Support Committees to advise them of the perceptions of the residents of eThekwini and to ensure that their Units take the same into consideration in the development of service delivery programmes for ensuing years.

10. INFORMATION TECHNOLOGY GOVERNANCE FRAMEWORK

The Auditor-General made the following key IT governance findings:

- Government Wide Enterprise Architecture (GWEA) ICT strategy implementation document and the IT Electricity strategy was still in draft and not presented for approval.
- The ICT Strategic Committee was inappropriately designed and implemented with the Electricity Unit not participating in the committee and a high rate of non-attendance by Deputy City Managers noted.
- Inadequate IT risk management practices at the Electricity Unit has resulted in IT challenges.
- Risk management officer not involved in IT risk assessment meetings resulting in only one risk identified.
- IT policies were not reviewed timeously.

These deficiencies were as a result of poor planning, indecisiveness on an ICT governance model and lack of co-operation from departmental heads.

We note that the Audit Committee’s recommendation in respect of this and the key initiatives that need to be implemented in relation to ICT governance and business process-enabling applications systems:

- Establishing effective organization-wide ICT governance structures within eThekwini Municipality, in order to ensure that ICT enabled investments provides value and to ensure that it is an elevated key strategic enabler to deal with service delivery challenges.
- Adopting a clearly defined operating model between Electricity and Corporate IT, in order to ensure that eThekwini customers’ expectation on basic service delivery are met.
- Reinforcing and adopting a sound ICT and Digital strategy, which should address the current control breakdown, as well as address threats and risks which may hamper the Municipality from achieving its objectives.
- Strengthening controls in relation to the applications and general controls in order to establish reliance on the completeness and integrity of information.
- Establishing an Information Security Governance strategy and programmes to address the Cyber Security threats facing the Municipality.

In light of the ICT function still being fragmented,

COMMITTEE RECOMMENDS:

That the City Manager ensures that all Information & Communication Technology matters for the Municipality be managed centrally by the Information Management Unit and that funding for such matters be allocated evenly.

8. Conclusion

Having performed the following tasks:

- ✓ Reviewed and analysed of the Annual Report;
- ✓ Invited, received, and considered inputs from Councillors and Portfolio Committees, on the Annual Report;
- ✓ Considered the written comments received on the Annual Report from the public consultation process;
- ✓ Conducted Public Hearings to allow the local community or any organs of state to make representations on the Annual Report;
- ✓ Received and considered Council's Audit Committee views and comments on the annual financial statements and the performance report; and
- ✓ Prepared the Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

MPAC has pleasure in presenting the Oversight Report to Council for consideration and, thereafter, forwarding to the relevant Departments and Provincial Legislature:

COMMITTEE RECOMMENDS:

1. That Council having fully considered the Annual Report of the eThekwini Municipality for the 2018/2019 Financial Year, adopts the Oversight Report for the 2018/2019 Financial Year.

2. That Council approves the Annual Report of the eThekwini Municipality for the 2018/2019 Financial Year without reservations.

3. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.

4. That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.

9. ANNEXURES

Annexure A	Report on 2018/19 Annual Report Public Participation Process
Annexure B	2018/19 Action Plan for Auditor General Findings

ANNEXURE A

EThekwini Municipality
Report to the Municipal Public Accounts Committee

Report on the Public Participation responses for eThekwini Municipality's Annual Report for 2018 – 2019

INTRODUCTION

The eThekwini Municipality's Annual Report for 2018/2019 was tabled at Council on 30th of January 2020, as prescribed in terms of the Local Government: Municipal Finance Management Act 56 of 2003. The Annual Report also included the reports of the municipal entities viz. Inkosi Albert Luthuli ICC (Pty) Ltd and Durban Marine Theme Park (Pty) Ltd, the report of the Auditor-General on the group financial statements and the report on performance information of eThekwini Municipality and its entities.

In terms of the expanded Public Participation program on the Annual Report, as requested by the MPAC, five Public Meetings were held, targeting specific groups within the Municipal area. These meetings were held as follows:

- 12 February 2020 – Informal Business at Durban City Hall (Mandela Room)
- 20 February 2020 – Traditional Leaders at Pinetown Civic Centre
- 28 February 2020 – People With Disabilities at Durban City Hall (Luthuli Hall)
- 04 March 2020 – Civil Society at Durban City Hall (Luthuli Hall)
- 11 March 2020 – Formal Business (Moses Mabhida Stadium GBC1)

Further, a presentation of the 2018/2019 Annual Report was made to the Audit Committee on the 21st February 2020 and to the following portfolio committees:

- 12 February 2020 – Governance & HR Committee at City Hall
- 13 February 2020 – Community Services Committee at City Hall
- 21 February 2020 – Finance, Security & Emergency Services Committee at City Hall
- 21 February 2020 – Human Settlements & Infrastructure Committee at City Hall
- 12 March 2020 – Economic Development and Planning Committee at City Hall

The questions and comments received from the attendees for each of these meetings and external inputs from the public are detailed in the Appendices attached as follows:

Appendix A: EThekwini Municipality Informal Economy Forum (EMIEF)

Appendix B: Amakhosi (Traditional Leaders)

Appendix C: Public Engagement – People With Disabilities

Appendix D: Public Engagement – Civil Society

Appendix E: Formal Business and the formal comments by the Chamber of Commerce

Appendix F: Portfolio Committees

Appendix G: External Representations – Emails and Social Media

We therefore submit these reports to the Municipal Public Accounts Committee. The comments and queries which are included in this report will also form part of the final submission to MPAC, for inclusion in the Oversight Report.

____

Dr Nirmala Govender

Head: Performance Monitoring and Evaluation

Attached herewith are the reports and comments for each of these meetings and external inputs from the public.

1. EThekwini Municipality Informal Economy Forum (EMIEF): 12 February 2020

Mr Thulani Nzama (Head: Business Support) presented the 2018/19 Annual Report to EMIEF. Following the presentation, the forum was given an opportunity to comment and pose questions and the following concerns were raised:

- It was requested that the Business Support Unit initiate the process of ensuring that stalls and trading buildings such as workshops are included on the Infrastructure projects in order to incorporate informal traders.
- Members also enquired about Strollers Homeless Project. Responding thereof, the Head Business Support advised that the homeless project was under the Safer Cities Unit however another site was identified within Mansel Road. It was stated that R18 million had been allocated for traders.
- Traders reiterated their concerns and emphasised that the municipality should seize measures to deal with the issue of electricity and water theft.
- A concern was raised about traders that were expatriated at Umlazi V Section. In response it was advised that the aim was to develop the street for tourism purposes as well to progress the township lifestyle.

2. Amakhosi (Traditional Leaders): 20 February 2020

Mr Mavuso Tshabalala (Head: Sizakala Centres) presented the 2018/19 Annual Report to Amakhosi.

The following questions/comments were raised after the presentation:

QUESTIONS/COMMENTS	RESPONSES
The Leaders requested clarity on how the total value of 0,011 was acquired on the Capital Project by Ward 2018/2019 report under Ngcolosi New Electrical Supply.	Finance representative mentioned that 0,011 total value was achieved by dividing R11 000 by 1 000 000 and then the total is 0,011. Basically 0,011 has been rounded off.
The Leaders sought clarity if there were any bursaries for learners that passed matric and programs for students to get experience in their study fields.	It was advised that the matter will be communicated with relevant departments so that they offer support in absorbing the students in their respective study fields.
Inkosi Luthuli requested for the Municipality to correct the name UMnini to a capital letter "M" because the name belonged to a late Inkosi Mnini.	Head: Sizakala mentioned that the matter regarding the name UMNINI is currently being dealt and it would be sorted in respect of the late Chief.
It was also requested that the presentations centres more on rural areas especially the ones ruled by the Traditional leaders.	Noted. The presentation included capital projects undertaken in areas within the land of Amakhosi.
The leaders requested more clarity on the land reported as bought by the municipality and the explanation as to who the land was purchased from.	The Traditional leaders were assured that Municipality always follow the rules and that land is not always acquired through transactional agreements, but consultations are made with relevant parties and agreements are then reached as to benefit the Community.
Suggestion was made that to avoid overpopulation in the City, the Municipality could create jobs in the rural areas.	Noted

Inkosi Makhanya requested feedback on the projects initiated in his area which were never completed.	Head: Sizakala Centres requested for the Traditional Leaders to take note of the tender number that is usually written on boards placed on the site of the project and use that information to enquire with the people responsible for the project, then the Municipality will supply them with answers especially on the issue of incomplete projects and water pipes that were installed but with no water.
A Complaint was made that some areas has water pipes installed but water never comes out.	
What is the reason behind the exclusion of Ward 105 from the Capital Project report?	Head: Sizakala Centres also answered that regarding Ward 105, the ward was acquired by eThekwini Municipality in 2016 even though it was not mentioned in the report there are programmes that are currently being run in the Ward most of them not yet completed. The report is for service delivery that has been completed. He added that the Municipality is still looking for offices around ward 105 and that will clearly indicate to the community that eThekwini Municipality has arrived in the area.
Leaders requested clarity if there were any investigations conducted on the Contractor before a tender is awarded?	Regarding the tenders, Head: Sizakala Centres mentioned that before people are awarded, inspection is done but some contractors would take an overload of services and end up not being able to deliver, some mislead the Municipality claiming that they have skills but fail when it comes to action.
Does the person who is awarded a tender receive all the funds before completing the job?	
The Traditional Leaders requested to know why the Municipality never communicated with them before taking important decisions in their respective communities?	Head Sizakala then apologised on behalf of the Municipality regarding the grievances of Amakhosi and mentioned that these matters indicate that there is poor communication between Traditional Leaders and the Municipality. He advised the committee that it would be of best interest if these meeting are held on a monthly basis so that Units that are involved in these issues would be able to answer.
Inkosi Luthuli a complaint that in his area some houses were demolished by the Municipality without his consent and then requested for a meeting with the person who ordered for the demolishing to take place.	

It was also commented that the leaders face issues when they give a site to a new resident in their areas, then they are told that the land belongs to the Municipality.	Chairperson of MPAC advised the Committee that these matters would be treated with urgency, and that DCM: Human Settlements and Infrastructure would be contacted regarding the issue raised by Inkosi Luthuli about demolishing of houses in his area and assured the Traditional leaders that they will investigate the projects initiated under Inkosi Makhanya.

3. Public Engagement – People With Disabilities: 28 February 2020

Mr Thami Ntuli (Manager: Masakhane and Special Projects – Community Participation & Action Support) presented the 2018/19 Annual Report to People with disabilities.

The questions/comments below were raised after the presentation. The Chairperson of MPAC, Councillor Shozi advised all concerns raised have been noted and recorded. He mentioned that they would be presented to MPAC and relevant stakeholders for people with disabilities in order to find a way forward.

QUESTIONS/COMMENTS	RESPONSES
It was urged that tenders should be prioritised for people living with disability	People with disability who have registered companies were encouraged to avail themselves and register their companies on the tender database.
There was no office for disable people in Ward 79 and Ward 19	This matter would be cascaded accordingly to relevant Departments.
Disable people from Ward 12 requested sidewalks, ramps to be installed and for potholes to be closed/repaired on roads.	This matter would be cascaded accordingly to relevant Departments.
Human Resources Management Office was urged to include employment for disable people in aspect of work.	The Human Resources Management Office: Employment Equity Coordinator, Mr M Manqele acknowledged that currently most of the Municipal facilities were not accessible for people with disability however, arrangements to ensure that all Municipal building were easily accessible by people with disabilities were ongoing.
There was an outcry for additional RDP houses to accommodate disable people in all Wards	This matter would be cascaded accordingly to relevant Departments.
At Malukazi a bridge was requested in 2017 but till to date it has not been constructed. Illegal dumping has been reported in 2019 but till to date no action has been undertaken to stop or remove rubbish in the area. Boreholes were not maintained. Houses that were affected by the disaster of floods and storm in 2019 has not been repaired till to date.	This matter would be cascaded accordingly to relevant Departments.

At Ward 19, it was advised that public facilities were not accessible to disable people. There was an outcry that the disability sectors were not fully attended to. Brail to assist the blind during meetings/ public meetings was requested and additional RDP houses as well.	The issue of brail for the deaf and blind was noted and would be considered accordingly.
At Cornubia, it was urged that bus stops for taxis should be brought near residential areas to cater for people living with disability alternatively other means of transport should be made available to bring people with disability to bus stops because they are far.	This matter would be cascaded accordingly to relevant Departments.
Councillors were reported not to be fully functional in Wards especially in attending to people with disability.	The Chairperson of MPAC, Councillor Shozi, advised that Councillors that were not functional in their respective Wards should be reported to the office of the Speaker or Mayor.
It was urged that disable people should be provided with accredited training for arts and crafts as well as skills such as call centre skills, arts etc; which could be liaised with SETA.	This matter would be cascaded accordingly to relevant Departments.
It was advised that there was an agricultural project at Folweni which required to assisted with Tractor.	This matter would be cascaded accordingly to relevant Departments.
Ward 88 advised that solid waste was not being collected in its respective area since 2017.	This matter would be cascaded accordingly to relevant Departments.
It was further recommended that the Human Resources Management Office should look at provision of stipend to people working in disability forum. It was highlighted there was a lot coordination that needs money in order for the Disability forum to function effectively.	The issue of stipend to disability forum was to be discussed with relevant stakeholders.

Mangosuthu Highway to be reconstructed to accommodate/ be conducive for use by people with disability.	This matter would be cascaded accordingly to relevant Departments.
It was urged that a breakdown of the budget allocated for people with disability should be provided in terms of the initial budget, expenditure and the project conducted and completed or ongoing etc.	This matter would be cascaded accordingly to relevant Departments.
In respect of employment, it was requested that the Human Resources Management Office should provide a number of people employed during every financial year, highlighting all sectors, gender and the vacant positions etc.	It was reported that recruitment process for disable people was happening within the Municipality. This was attested by the presented stats regarding disable people employed during the financial year however names could not be provided. PWDs were encouraged to apply and register their names on the employment database for disable people at Skills Development Department. This would assist the Municipality to know what skills are possessed by people with disabilities, number of unemployed graduates with disability etc and thus create employment opportunities accordingly.

4. Public Engagement - Civil Society: 04 March 2020

Mr Sipho Cele (Deputy City Manager: Governance & International Relations) presented the 2018/19 Annual Report to Civil Society.

The following questions/comments were raised after the presentation:

QUESTIONS/COMMENTS	RESPONSES
Mr Ndawonde from Folweni raised a concern that part of Thulabone Road was gravel and that the Speaker, Ms Thusi had previously assured the community that she would visit again on 15 November to respond on the challenges that were shared by the community. Mr Ndawonde shared that the Speaker's Office needed to strengthen its communication channels with the community as they had previously attempted contacting office and were unsuccessful.	DCM: Governance and International Relations explained that the Municipality was still working on the lease that was required for the Municipality to access the community. . The DCM: Governance and International Relations shared that there was a War-Room launched with a view to respond to such challenges. DCM: Governance and International Relations assured the community that their concerns will be communicated to the speaker's office within two weeks.
Ms Shozi from the Langalemvelo project in Folweni indicated that they have had people volunteering in their Organisation but they have not received any funding from the Municipality since 2008.	DCM: Governance and International Relations shared that there was a project on Youth Participation headed by the Mayor's officeand requested Ms Shozi to share her contact details and that he would initiate communication.
Mr Shozi from eMangangeni shared that in eMangangeni they have gravel roads and during rainy seasons they experience difficulties such as pothole and mud blockage on the roads.	DCM: Governance and International Relations advised that the matter would be cascaded to the Roads Department for consideration. However, he alerted Mr Shozi that there was a process and a criteria that needed to be followed and that prioritization of projects needed to be considered.
Shozi raised a concern regarding poor communication from the Municipality prior to implementing protects. He made a reference to the Rain Water project that installed Jojo tanks for communities without explaining the benefits of the project.	DCM: Governance and International Relations advised that the issue of poor communication on the benefits of Jojo tanks would be addressed.

Ms Naidoo from Ward 31, a Social Worker at St. Thomas Home for Children, advised that the home had been damaged extensively from the floods. She added that floods damages amounted to R1 200 000 (One Million and Two Hundred Thousand Rands). She disclosed that the Sydenham Children Home had raised R400 000 (Four Hundred Thousand Rands) while the Department of Social Housing had funded the Home with R140 000 (One Hundred and Forty Thousand Rands). Ms Naidoo thereafter appealed to the Municipality for assistance in relation to the damage caused by the floods.	DCM: Governance and International Relations advised that Community Participation and Action Support Unit at Pinetown Civic Centre was dealing with grant-in-aid applications from Communities and encouraged the St. Thomas Home for Children to apply accordingly.
Ms Naidoo also raised a question on whether it was possible for retired home owners to apply for free prepaid meters.	DCM: Governance and International Relations shared that there was a process that need to be followed in applying for the free prepaid meters and that there was also a criteria to qualify for the free prepaid meterand advised applications to be directed with the Electricity Department.
Ms Naidoo requested clarity on whether single mothers who need housing can apply to live in Cornubia Phase 2.	DCM: Governance and International Relations advised Ms Naidoo to contact the Housing Department for information on the Cornubia Phase 2 housing project.
Ms Khambule from Vukani Community Project in uMlazi, raised a concern that there were centers/buildings that had been donated between ward 81 and ward 82 for community use. The concern was that the soil and the rocks were falling on building structures. Vukani Community Project had previous tried to fundraise in order to raise funds for the centers but was not enough. Ms Khambule therefore requested assistance with repairing centres.	DCM: Governance and International Relations requested Ms Khambule to provide the Municipality with her contact details and assured Ms Khambule that she would receive feedback on the matter. DCM: Governance and International Relations added that installing retaining walls would assist.
Ms Skhakhane from Asithwalane Widows in Wyebank (Ward 19) was an organisation that worked with widows partaking in different hand activities and requested assistance with a container for fund raising purposes.	DCM: Governance and International Relations advised Ms Skhakhane to communicate with the Community Participation and Action Support Unit.

Mr Mlambo from Africa Cultural Fesitval Foundation in ward 56, expressed great sadness with the high rate of unemployment amongst the youth. He further added that he was interested in creating job opportunities through tourism. He added that in Inanda Dam, there was a feasibility study that conducted by Municipality but feedback was not provided. The concern was that the Dam was not being used for tourism purposes. Mr Mlambo thereafter requested that the leadership in the meeting should present his ideas in the relevant structures of the Municipality.	DCM: Governance and International Relations advised against working in isolation and that other Departments needed to be included. He urged Mr Mlambo to leave his contacted details and advised that feedback should be provided on the results of the feasibility study.
Ms Madlala from Dream Chasers an organisation in KwaNdengeni (Ward 12) that teaches young girls from 2 years of age, art and modelling. She mentioned that the organisation had concerns that the Municipality did not recognize or assist models with funding.	DCM: Governance and International Relations shared that there was a project on Youth Participation that was headed by the Mayor's office. requested that Ms Madlala to share her contact details and that he would initiate communication.
Mr Ngubane from Inanda (Namibia Stop) expressed that his area had experienced sewage blockage for more than two years and that they reported via the Municipal SMS line but the was no assistance.	DCM: Governance and International Relations assured Mr Ngubane that the matter should be taken seriously and that he should leave contact details to receive feedback.
Ms Nzuza from KwaMashu (Ward 46) expressed that they experienced problems with Izinyoka and the ongoing challenge of electricity cables being stolen. She mentioned that the Electricity Department assured the community with the installation of electricity in 2017 but when they were called to account, they indicated that the Human Settlements Department had to initiate the process. Ms Nzuza also expressed that the Housing Unit did not attend community meeting when invited. They had previously assured the community that they would attend in January, but they still had not attended meetings. Ms Nzuza added that the houses in the community were falling apart and infested with snakes which were coming out from the bricks.	DCM: Governance and International Relations shared that the challenge of Izinyoka was serious and that the community had to assist in reporting illegal activities in the community. The DCM: Governance and International Relations further shared that he would liaise with the Housing Department and that Ms Nzuza leave her contact details to receive feedback.

Ms Linda from the Oasis of Love in uMlazi, a Non-Profit-Organisation that deals with developing interpersonal skills and public speaking. Ms Linda shared that the Organisation received funding for tokens for top achievers. She added that the Organisation further requested funding for a skills development center with computers and laboratories. The organisation (Oasis of Love) had submitted a proposal for small businesses to have interlink with funders such as Sasol. The location for this project was opposite KwaMnyandu Mall.	DCM: Governance and International Relations shared that there was a project on Youth Participation that was headed by the Mayor's office requested Ms Linda to share her contact details and that he would initiate communication.
Mr Mbhele from ward 12 in KwaNdengezi shared that they experienced challenges with the lack of information sharing from the Municipality which resulted in people not knowing the projects that are offered by government. Mr Mbhele shared that information on skills development opportunities like building, welding was required in communities as people were unemployed and required skills in order to attain jobs.	DCM: Governance and International Relations shared that there was a project on Youth Participation headed by the Mayor's office requested that Mr Mbhele share his contact details and that he would initiate communication.
Mr Dlamini from Ward 77 in Chatsworth advised that he was the Chairperson of the Sikelela Senior Citizens organisation that was registered in 2017. He highlighted that the Councillor had assisted the organisation in the attainment of temporary working space mentioned that assistance from the Municipality in attaining long-term working space was required.	DCM: Governance and International Relations requested Mr Dlamini to wait one month while he interrogates the matter and assured Mr Dlamini that he would provide feedback in one month.
Ms Masinga from Ward 54 in Inanda share that she experienced challenges with electricity that was registered under a linked trust and required assistance with meter changes. Ms Masinga also expressed that the Municipality had assisted with septic tanks, but did not attend to emptying the septic tanks and that the tanks had filled up. She mentioned that she had paid the Municipality R800 to empty the tank, but the Municipality had trouble in reaching her	DCM: Governance and International Relations requested that Ms Masinga share her contact details and assured Ms Masinga with feedback.

land as the pipe system was not long enough to reach. Ms Masinga did not receive a refund on the service that was not rendered, and she required assistance with a refund.	
Ms Nxumalo from ward 80 in uMlazi was a community health care worker (oNompilo) who assisted the ill in the community, she raised a concern that they submitted documents for bursaries but only younger people who were awarded thereafter were mentored by the experienced community health care workers who earned lesser that them.	DCM: Governance and International Relations shared that the Provincial Department of Health headed the Community Health Care Workers programme and advised Ms Nxumalo addresses her the challenges with the Provincial Department of Health.
Ms Nxumalo also reported that the roads in Ward 79 are not fixed, which had resulted in accidents as cars resorted to drive on the pavement.	DCM: Governance and International Relations advised that the matter be cascaded to the Roads Department for consideration.
Ms Nxumalo had continuously received the electricity bill after having moved from meter to prepaid. Ms Nxumalo appealed that the Municipality assist her enquiry.	DCM: Governance and International Relations advised that the matter be cascaded to the Electricity Department for consideration.
Ms Nsibande from Wyebank, Sub 5 in Ward 19 shared that they experience rain disaster in 2011 where the Municipality investigated the matter and assured the community assistance. She therefore requested the Municipality to follow-up on the matter and to aid the situation. Ms Nsibande also complained that they were experiencing problems with izinyoka cutting electrical cables.	The DCM: Governance and International Relations advised that Ms Nsibande share her contact details and assured that feedback would be provided. He emphasized that community members should assist with reporting illegal activities in the community.

Subsequently, attendees were afforded the opportunity to submit written representations, so that they can be attended to.

Question 1

Business hub proposal (Business Support). This proposal it was submitted via email to Mr Mbuyiselwa Ngobese. It's 15 months ago to date there's no valid/ progress that has been received. This proposal was submitted from the email.
dohlinda07@gmail.com (please follow up) entity name: (Izimbali EF Trading)
Nomfundo Linda – 0762524142 (095i50flove173@gmail.com

Question 2

Siqalakabusha KwaNdengezi Creche Association
Singama creche a KwaNdengezi sidinga usizo kulokhu okulandelayo:

- Ukwakhelwa kabusha izakhiwo zama plangwe
- Ukulungiselwa amagceke
- Amathoyizi abantwana
- Izindlu zangasese
- Ukubiyelwa kwamacreche ethu
- Uxhaso lokudla
- Uxhaso lokulekelela amaholo abasebenzi
- Ama container
- Izinsiza kusebenza zase office
- Ukuqeqeshwa (training) kothisha
- Amathangi amanzi
- Ukwengezelwa kwamagumbi okufundela
- Ukwenzelwa amakhishi
- Ukulungiselwa kabusha izakhiwo ezingasekho esimeni esigculisayo

Chairperson : Miss N Buthelezi – 0784794858
Vice Secretary: Miss A.T Gumede - 0835122230

Question 3

Happy Langa Ward 85 Umlazi : 0737959564 Hlongwane Avenue

- Kunamanzi aseze aluhlaza eR5/22 kade ngangiwabika kodwa abafikayo abawalungisi ngoba aphuma ngaphansi aqhamukele egcekeni lami ngawabika kusisi waka Water owuZondi Nokuphiwa waba ngumuntu ozongisiza lutho namanje. Nanka ama ref no: 191228/849, ref no: 200113/2041, ref no: 200120/1260 aqondene nalamanzi onke lama reference.
- Okunye amatoilet lawahlaza afika eR4 eMlazi asebuyile kwezinye izindawo kodwa kaR4 eMlazi lutho awakabuyi kanti bayawadinga abantu amatoilet abanawo.
- Okwesithathu ka EPWP kukhona abantu abaqala ngo 2010/2014 ukusebenza kuwona lutho ukuqasheka permanent kodwa namanje usaqashwa u EPWP. Kungabe umkhandlu unayo enye indlela ozoyenza to avoid amamashi abantu abafisa ukuqasheka babulale

izinto zomkhandlu . Kungani kungaqashwa laba abakhona bese kuvulwa futhi loluhlelo ngyabonga ngicela impendulo kuloludaba lonke engilibikayo

Happy Latha
0737959564

Question 4

Ukucela usizo
Ilungelo Labo Educare ECD

- Usizo lokuthathwa kwezibi imoto ayingeni kufanele ngihambise ngezandla
- Imvula yangena enkulisa ngacela usizo kumasipala angilutholanga
- Ukumonywa kwendle yabantwana ichithekela emzini yabantu

Ward 84 kwa CC Khansela B Phungula ngiyabonga

Question 5

Uma ufuna ukugawulelwa izihlahla ezinkulu kwi project yakho njengasecreche uthinta bani eMatikwe eNanda.

N.J Ntuli
0832433318
Sbonokuhle Creche

Question 6
Qondimvelo Projects
Sesineminyaka sihlanza imihosha kodwa asisizakali ngalutho . Sizwa kukhulunya nge INK kuphela sibe sisendaweni yase Folweni sisizeni please.

Sbongile Gumede
Ward 95-0877125208

Question 7
Sinenkinga ku NPO yethu ebizwa nge Youth With Different Attitude. Sisiza abantu abafisa ukuphuma kuma drugs sisiza from 11-35 years. Asinazo izinsiza and asikaze sixhaswe muntu and sinayo indawo yokwakha our rehab centre kodwa asinayo imali yokwakha sidinga usizo

Usihlalo wenhlangano
Khethiwe Nxumalo - 0794544313
Ward 54

Question 8

Siyi creche yaseNanda Newtown C 329 Umshado Road. Besicela uxhaso esingaxhaswa ngalo wumasipala wethu, sigada izingane siyaziphekela asikaze sithole lutho sesineminyaka ewu 10 nendawo yethu encane.

Sbongile Creche
0818364387

Question 9

Hi
How do you go about it you want to apply for a finding for co-operatives

Langalakhe langa
langalakhelanga@gmail.com
0659008122

Question 10

Siyanakekela We-Care Ward 80

- Isikhalazo ngonompilo abangabhekelelwa ngokuthuthukiswa ngamaholo
- Umgwaqo wakwa Ward 79 Cyril Zulu omagebhugebhu izimoto zivika ngomuntu
- F708 Fourbye Gumed Road ugesi uya sikhalisa njalo kufika incwadi kodwa sewushintshile uMrs Victoria Hadebe umnikazi ugogo omdala.

Duduzile Nxumalo
0717192592
Umlazi Fourbye

Question 11

Izethembiso NPO KwaNdengezi
About people and youth developments including sofa making, welding, sewing, building and creating atrs to generation i.e. Use of waste and trees.

Johannes Sbongiseni Mbhele
0833626211/0839683487

Question 12
Ngibingelele

Igama Busisiwe Mkhize wase Molweni Ward 9
Genesis Pre-School 0713160979

Ngibonga ithuba esilitholile bengicela ukwazi ukuthi iluphi usizo eninalo ekutheni uthole indawo yokusebenzela (business site) esengiyibonile.
Nokucela ukubhekelelwa ekutholeni ukuthuthukisa kolwazi bamakomiti enhlangano kanye nothisha. Ngiyabonga

Question 13
Igama : Gugu Mkhize
Ntandoyenkosi ECD Centre
0836025917

Besicela othisha bama creche babhekelele ngomsebenzi wabo, okunye sicela ukuvakashelwa ama department babone esingakwenzi kahle silungise okumele sikulungise, kubheke izimo zama creche esisebenzela kuwo ngiyabonga.

Question 14
Jabulile khambule
Vukani community project ward 82
0820491184/0613716288
vukani.community@gmail.com
Address W435 Mafumbuka W Umlazi

Question 15
Ulwandle LwaseThekwini Holdings

We would like Ethekwini Municipality to use our brand
Name : ulwandle lwasethekwini

- Ulwandle lwasethekwini bnb
- Ulwandle lwasethekwini hotel
- Ulwandle lwasethekwini guest houses
- Ulwandle lwasethekwini real state
- Ulwandle lwasethekwini International Convention Centre

Where our functions will take place.

Thank you

Question 16

Name : Gugu
Surname : Mnguni
Address : N124/2 Mabhunu Sabela Umlazi Ward 85
Contact No: 0711445389
Designation: EPWP Social Sector

- Kunomgwaqo engangicele kuwona ama road slaps since nginenkinga yamanzi aqhamuka ngenhla ezakhiweni imizi emibili sekunesikhathi eside ngacela uphelile u 5 years ngayifaka i request. Uma siphuma ekhaya siyashibilika siwe nezingane ngiyazicelela kubi kakhulu lamanzi avele ame ngasekhaya aseluhlaza , umgwaqo umabhunu sabelo.

- Two weeks back kade kunabaka water bezolungisa ipayipi kuwona umabhunu sabelo ngase N766 inkinga bashiye umgwaqo ugqobhokile izimoto maziphambana zingena emzini engezansi. Nemigwaqo engaklinwa egcwele utshani nomhlabathi bengiwu repothile uABM kepha namanje akukliniwe nesitamkoko(water drain) evalwe umhlabathi okubi nje yithina esisebenza emphakathini abantu bathembele kithi le water drain iyona ezodala ukuthi amanzi angene emzini yabantu bese kwenzeka umonakalo ngiyabonga.

Question 17

Vusisizwe Centre Npo No. 032-532252150
Ward 100 at Mangangeni, Ndabezitha Road
Chairperson Thobile Shozi 0607657789/0848702626/ 0717722114
Vusisizwecentre158@gmail.com

Dealing with orphans vulnerable chidren (OVC)
People who are affected & infected by HIV/AIDS

- We are requesting a soup kitchen for grannies or guardians for the OVC. Due to demarcation in ward 100, it is too big can't cover our area.
- Requesting baking machine / sewing machine in order to make income generating project we wish our organisation to sustain.
- Water bill issue – our meter stopped in 2010 but the bill is still going higher, so we cannot afford to pay as we are for Non-Profits Organisation.

That is all I can state
Thank you.

Question 18

- Sicela uParks angenelele eMbilo udoti awuthathwa kunezihlahla ngasezitolo Bartle Road ngasezitolo kunehlathi elimnyama elingasikwa ngumasipala.
- Amapaki wonke anamagym kodwa hhayi eMbilo sicela uKhansela no Mayor basisize ngalokhu.

Question 19

Mehluko Magubane
0825449403
INanda Congo Ward 108
Sewerage blocked more than 2 years community is very worried and getting infected by diseases.

Question 20

Zama Nhlapo
Area 1-1254 Bester Ward 54
Inanda
4310
0730184922/0639385503

- Selokhu sathola umxhaso wo 2 rooms namatoilet omgodi agcwele ayimonywa izindlu zihlangene ziseduze kwe Brige City .
- Amatoilet asevalwa ngezindwangu ukuqhuma kwamanzi ubuxhaxhaxha noma Uzalo seliveza kuvela kungabukeki kahle kusidumaze.

Question 21

Name: Awande
Surname: Makhanya
Contact no: 0735675298
Ward 85
Besicela nisilekelele ekuvuseni istructure ebesibizwa ngokuthi UMlazi Youth Organisation sesisize abaningi eMlazi ngokuvula.

- Amabhizinisi
- Ukufunda (upgrade matric)
- Skills development
- Job opportunities and many more

Sicela uxhaso lokuthi nisisize sisivuse ngoba sibe wusizo kakhulu emphakathini wase Mlazi kakhulukazi kwi youth yaseMlazi.

Question 22
Project ngeye youth
Nonhlanhla Sikhakhane
8 Mdoni Crescent
Wyebank
3610
0717546637

Question 23
8 Mdoni Crescent
Wyebank
3610
0717546637
Nonhlanhla Sikhakhane
Asithwalisane Widows Project
R220 sub5
KwaDabeka
0794786499
Nokukhanya Nsibande
Container q nokususwa nenhlabathi namatshe endaweni yethu eyashiywa icontract. Siyabonga RDP old house ukuthi zazakhe kahle indawo ichentiwe ngingumama 2011/27/11 wabhidlikelwa, ogesi barojiwe e sub5 ifunding kasithwalisane
0794786495 ward 19

Question 24
Londeka Madlala
londekamadlala@gmail.com
Dream Chasers Academy
Ward 12 KwaNdengezi
0730873215
Mndeni Mkhize
Venue for practice
Youth development

Question 25
From Sub5 Clermont Citizen
Sicela ukufakelwa izinsimbi zokuzivocavoca for community, e Sub5 akukho ngisho inkundla (ground) yokudlala for abantwana kanye nabantu abasha.

Sicela usizo ngokuthi sivikeleke ema taxi rank esigibela kuwona. Clermont rank (market) Sub5 rank ingcolile khona nabalungisela izimoto kugcwele no oil, nabaphekayo kuma shelter bachitha ukudla kanye namafutha futhi which blocked the drain. It's unhealthy for the citizens.

Question 26

Singama creche aseNanda sinenkinga uma sifake isicelo saka grant-in-aid asilutholi uxhaso ngoba sithola uxhaso lakwa DSD.

Inking yethu imali ka DSD incane kakhulu ayizifezi izidingo esinazo.

Doris Manzi
Inkanyiso Creche
0783657735

Question 27

Name: Ayanda Njapha
Organisation: Snothando Training and Development
Ward 66
Contact no. 0731094552/ 0837567717
Challenges in Ward 66

- Estimated billing system
- Transnet housing in Chairlmalan (private property)
- Service delivery only dsw comes in the area
- Houses are in a bad condition, mostly after 2017 storms.
- Programs from departments.

Snothando Training And Development

- How to get a place to operate from municipality
- We have computers that we would like to use to train youth and elders
- Sihlanzimvelo programme - how to qualify and apply trainings
- Sewing
- Interpersonal skills
- Young parenting and ECD and the list goes on
- Support system from departments.

5. **Formal Business Engagement: 11 March 2020**

Dr Krish Kumar (Deputy City Manager: Finance) presented the 2018/19 Annual Report to Formal Business.

The following questions/comments were raised after the presentation:

QUESTIONS/COMMENTS	RESPONSES
There had been reports regarding Supply Chain Committees not convening.	Regarding the SCM Committees, it was advised that all issues were cleared and the Committees are functioning properly now.
It was raised that some businesses encountered issues with late payments of invoices by the Municipality.	Deputy City Manager: Finance responded assuring everyone that the City always strives to follow all procedures when payments were involved and stated that the issue arise when the company is not compliant with the SCM procedures and that delays the payment process.
Information was sought on contingency plans allocated to deal with legal issues.	DCM: Finance mentioned that there is R30 000 000 (Thirty Million Rands) allocated for legal services but requested for Progressive Professional Forum to contact Head: Legal via email for more information but he assured the attendees that the Municipality strives to give black owned business a fair share. Head: City Administration added that Municipal Public Accounts Committee always interrogate the causes of legal claims when they arise and would prepare report for Council and assured the attendees that mitigations in respect of legal claims were always in place.
Feedback was sought on the Go Durban project.	DCM: Finance mentioned that they encountered few challenges with the Go Durban project due to issues which involved stakeholders and advised that they are working to resolve such issues. He stated that the buses and bus stations were ready to function

Formal Comments by Durban Chamber of Business: 11 March 2020

DURBAN CHAMBER
OF COMMERCE AND
INDUSTRY NPC

EST 1856

Chamber Square, Lion Match
Office Park, 892 Umgeni Rd
Durban, 4001

www.durbanchamber.co.za

+27 31 335 1000
+27 72 023 2552

12 March 2020

Head of Performance Monitoring & Evaluation

Performance Monitoring & Evaluation Unit

41 Margaret Mncadi Ave Durban

Central

Durban, 4001

ATTENTION: Dr Nirmala Govender

Per email: Nirmala.Govender@durban.gov.za

RE: COMMENT ON THE ETHEKWINI ANNUAL REPORT 2018/2019

ABOUT THE DURBAN CHAMBER OF COMMERCE AND INDUSTRY

The Durban Chamber of Commerce and Industry (DCCI) has mushroomed, from its small beginnings in 1856 to a substantial association, respected by its sister chambers throughout the country. The Durban Chamber has been an active voice for organised business since 1856 and continues to add value to our members through our robust interactions and partnerships with both the private and public sectors.

INTRODUCTION

The Durban Chamber of Commerce and Industry welcomes the opportunity to comment on the eThekwini Annual Report 2018/2019. The Durban Chamber applauds eThekwini Municipality on the outstanding achievement throughout the 2018/2019 year. The relationship between the City and the Durban Chamber is indeed a significant and long- lived one. The Durban Chamber acknowledges the annual report for the 2018/2019 year and would like to comment on the following findings:

SPECIFIC COMMENTS:

1. Financial Performance

The Durban Chamber applauds the City on its strong financial position as evidenced by a collection rate of 91.9%[1] and achieving an unqualified audit report despite the current economic climate. The Durban Chamber encourages the City to continue to deliver sound financials as this will ultimately create a better City for doing business.

2. Material Losses

The issue of Non-Revenue Water has not improved despite the Durban Chamber raising the issue with the City on numerous occasions. The Durban Chamber has noted the increase in Non-Revenue Water of 32,7% in 2017/18 to 36,85% in 2018/19[2]. The Durban Chamber believes this high and is far from the targeted and sustained value of 25%[3]. This is a cause of concern as many end-users such as Business will have to bear the brunt through tariff increases. The Municipality needs to urgently embark on a massive water infrastructure upgrade and should look to creative funding models to address this matter. Businesses cannot afford to face water cuts from the City which leads to unplanned work stoppages and at times huge losses in production on top of missing production deadlines. The Durban Chamber would like to request a credible strategy document from the City that highlights the intricate details of actions that will be taken by the city to reduce to Non-Revenue Water to an acceptable figure that highlights the competency of the Water and Sanitation Department.

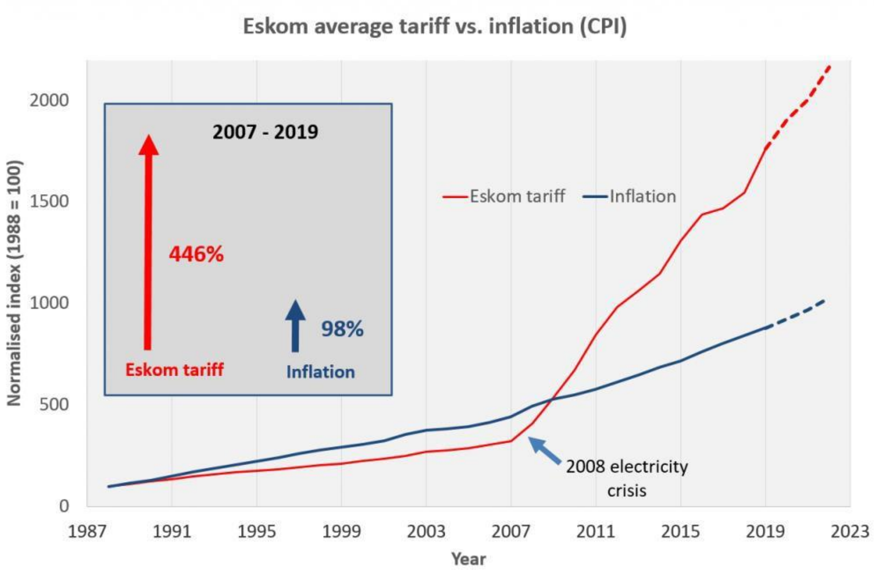
---

[1] EThekwini Municipality (2020), EThekwini Municipality Annual Report 2018/2019 [online], available: http://www.durban.gov.za/City_Government/Administration/city_manager/performance_management_unit/reports/Annua%20Reports/2018-2019%20Annual%20Report%20Draft.pdf [12 March 2020]

[2] EThekwini Municipality (2020), EThekwini Municipality Annual Report 2018/2019 [online], available: http://www.durban.gov.za/City_Government/Administration/city_manager/performance_management_unit/reports/Annua%20Reports/2018-2019%20Annual%20Report%20Draft.pdf [12 March 2020]

[3] EThekwini Municipality (2020), EThekwini Municipality Annual Report 2018/2019 [online], available: http://www.durban.gov.za/City_Government/Administration/city_manager/performance_management_unit/reports/Annua%20Reports/2018-2019%20Annual%20Report%20Draft.pdf [12 March 2020]

3. Energy



Source: EThekwini Municipality Annual Report 2018/2019 Presentation

The Durban Chamber has noted the excessive tariff increase by Eskom. Eskom's tariff increase has outpaced inflation by 348% (446%-98%). This proves that the cost of electricity is not sustainable.

Whilst all sectors are vulnerable to tariff increases, the most vulnerable sector is the Manufacturing sector. The Durban Chamber of Commerce and Industry's membership consists of some of the country's largest manufacturers and excessive tariff increases will be detrimental to their operations and a drain on the ability of businesses to grow and to create jobs. Many of these plants run 24-hour production operations and are heavily dependent on electricity.

On the other hand, load shedding is severely impacting businesses resulting in loss of productivity, revenue losses and unplanned operational expenditure across industries and their value chains. Load shedding is also negatively impacting economic growth prospects resulting in other risks and threats to businesses such as equipment damage and project delays which can have lasting medium- and long-term implications for businesses.

We are pleased by President Ramaphosa's announcement that government will action crucial legislation that will enable the development of additional grid capacity from renewable energy and that municipalities in good financial standing will be allowed to procure their power from independent power producers[4]. The Durban Chamber believes that this will provide relief to businesses, especially those that are dependent on energy for their operations. The Durban Chamber anxiously awaits the City's timeline for the implementation of procurement from IPPs, including proposals on how organised business can support government to action these plans.

4. C3 Corridor

The Durban Chamber has noted the delay in terms of the launch of the project of the Go Durban Project. We cannot afford to delay this large infrastructure investment any longer. The City needs to ensure that there is meaningful consultation with all stakeholders to fast track the process. The Durban Chamber seeks clarity as to when this project will become fully operational.

5. Homelessness

The Durban Chamber welcomes the Multi-Disciplinary Task Team set-up by the City to deal with Homelessness. We believe that the matter of Homelessness needs to be a priority focus for the City. There is a growing problem of people being allowed to stand at traffic intersections and to beg from motorists in contravention of City by-laws. This also intimidates international tourists and citizens when confronted at the vehicle windows. The Durban Chamber recommends the following solutions:

1. Create Employment Opportunities
2. Tokens for Litter Initiative
3. Shelter Provision by Utilizing Abandoned Buildings

The City also needs to start committing financial resources towards addressing this problem.

---

[4] The Presidency Republic of South Africa (2020), *State of the Nation Address by President Cyril Ramaphosa*, Parliament, Cape Town [online], available: http://www.thepresidency.gov.za/speeches/state-nation-address- president-cyril-ramaphosa%2C-parliament%2C-cape-town-0 [12 March 2020]

The Durban Chamber remains committed to developing Durban's economy. We believe that the City needs to work closely with the private sector in order to unlock economic benefits and create value in the City. The Durban Chamber endorses the City's vision to be the "most caring and liveable city, in Africa, by 2030".

Your reference:

1. Zanele Zeka- Ngcamu

   Chief Operations Officer
   zee@durbanchamber.co.za

2. Yolan Nagoor

   Manager: Policy and Advocacy
   nagoory@durbanchamber.co.za

6. Portfolio Committees

- **Governance & HR Committee: 12 February 2020**

  The Annual Report was presented by Mr Mavuso Tshabalala (Head: Sizakala Centres). The Committee commended Mr Tshabalala for conducting a comprehensive presentation on the eThekwini Annual for 2018/19 financial year and thereafter, the report was noted.

- **Community Services Committee: 13 February 2020**

  The Annual Report was presented by Dr Nirmala Govender (Head: Performance Monitoring and Evaluation) and the report was noted. It was resolved that the Head: Performance Monitoring and Evaluation circulate to members a written response to the next meeting, details and clarity on questions that were not responded to at the meeting.

The following questions were raises:

1. A question was raised regarding when the task team was established.

2. Contractors are not conducting their projects effectively. There are also water issues, backlogs of unfinished projects and electricity problems. Regarding electricity problems, it is understandable that there is a municipality WhatsApp number which is used to report electricity problems but after working hours there seem to be a response problem.

3. EThekwini Municipality received an unqualified audit report and this is appreciated, but will it be possible to get a clean audit in order to fast track service delivery since service delivery without compliance is not acceptable? If it is possible, why is it not happening?

4. The municipality has its own Internal Audit, but it seems ineffective when the Auditor-General picks up defaults whereas the Municipality has an Internal Audit unit. The municipality borrows billions of Rands each year hence the Council gets “unqualified audit” which is contradictory. There are also capital projects hence those projects are not identified, an explanation in this regard is needed.

5. According to the report, there were 82 new family units built and a clarity and a breakdown regarding these statistics is required, for example at Umlazi there was a project where houses were upgraded. The report is not detailed, and clarity is needed where the total number of houses built is provided, that is, new family units and houses upgraded. There should also be a breakdown of the 223 houses mentioned,

for example, those newly built and those upgraded. The report needs to be compiled correctly.

6. On Page 15 – Finance report (last bullet). The National Treasury reported that eThekwini Municipality's budget is one of the best municipalities in the country and on the other hand our budget is biased. At some areas, the service delivery does not reach certain areas, for example Mpolweni, Townships, KwaXimba and other areas.

7. Dr Govender informed the house that the questions and concerns raised will be forwarded to relevant Units. There are programs where people receive electricity tokens in order to access free basic electricity but those who qualify need to prove to the municipality that they are unemployed.

8. There is a holistic problem where contractors are not doing a job properly and professionally.

9. It was suggested that a proper planning process by the municipality is critical and needed to address the needs.

10. A point was raised that an e-mail address is required where all questions, queries and concerns related to annual report presentation can be sent to in order to ensure efficient responses.

11. PME must in future report prepared in order to respond to questions

12. The municipality must be proactive by planning on time in order to utilise the budget accordingly once allocated.

13. Dr Govender further reported that:

    - Finance Unit will respond regarding borrowings by the municipality and budget;
    - Human Settlement Unit will respond on issues related to houses build houses and upgraded.

14. DCM Cele appreciated that the report covered the whole City and reported as follows:

- The information will be sent to Units
- On issues related to housing, he reported that there is a task team driven by the Deputy Mayor to attend to homeless citizens.

- The government allocates families with 50kw of free electricity per month and this project is ongoing.
- Borrowing are upfront so that when the municipality has a budget, it can balance the budget.
- Utilising money/funds from one grant to other needs is not allowed by the National Treasury, for example a grant to build roads cannot be used for other projects, therefore an application for budget to fund other projects must be made whenever there is a need.
- Dr Govender will ensure that a breakdown with details as to where houses are located is compiled.

- **Finance, Security & Emergency Services Committee: 21 February 2020**

The Annual Report was presented by DCM: Finance and noted.

The following submission was made:

1. The Medium-Term Expenditure Framework (MTEF) cash flow for the Northern and Western Aqueducts to be provided, as well as the costs and reasons of delays. The respective department to provide the measures it takes to ensure there is quality assurance of the infrastructure installed.

2. A report to be provided on what is being done to address the problem of unread meters for water and electricity. This challenge must be addressed as a matter of urgency as the number of unread water and electricity meters is on the increase. In addition, the over-billing of water and electricity to consumers is to be explained.

3. With respect to material water and electricity losses, a breakdown of costs for aging infrastructure and theft must be provided.

4. A report to be submitted on the impact and cost to the City due to damage caused from ESKOM's load shedding. How has this impacted on the human resource capacity of the Department of Electricity.

5. An accurate figure of the number of officials involved in the plundering of the electricity network, and the consequence management carried out be provided.

6. A status report on the provision of Safe Open Spaces and shelters for the Homeless to be provided.

- **Human Settlements & Infrastructure Committee: 21 February 2020**

The report was considered and noted.

- **Economic Development and Planning Committee: 12 March 2020**

The Annual Report was presented by Mr Shunnon Tulsiram (Head: Economic Development and Investment Promotion) and noted by the Committee.

The following questions were raised:

QUESTIONS/COMMENTS	RESPONSES
What is the City doing to address the challenge of homelessness	A multi-disciplinary Task Team has been established, to undertake an integrated programme, which includes reuniting homeless people with their families, skills development etc.
The report mentioned that the municipality has R5.5bn worth of arrears (Consumer Debtors). How much of this is owed by the State?	A breakdown of the R5.5bn Consumer Debtors will be requested from Finance and provided to the Committee.
Awards/Accolades for "outstanding service delivery." Is this not a misprint?	It is not a misprint. We acknowledge that as a City we have challenges, however we have managed to provide a high level of service delivery to our citizens.

7. External Representations – Emails and social media

Billie Prinsloo billieprinsloo25@gmail.com - February 28, 2020

If the Annual report got an unqualified report from the auditors, why are there so many protests and why has the report not included the cost of destruction of infrastructure and assets and cost of theft of cables and water meters?

Why has the report not included the investigation into fraud and how much of ratepayers money has been misspent and how much has been irregular expenditure.

We would like to know what is happening about arrests and firing of people who have been involved in fraud.

Fleet vehicle are regularly being misused, seen in shopping centres and on the road out of working hours. What is this cost? Are the fleet cars being monitored?

We would like to know the status of informal settlements and what is being done to eliminate them?

We would like to know about the people living on the street, SA citizens and illegal immigrants. What is the plan for the future?

If Durban is such a caring city, why are we afraid to walk n parks and streets due to the threat of crime.

Why are bad drivers not charged for ignoring the rules of the road? Why do we not see speed timing anymore?

Why are the verges and traffic islands cut more frequently and grass raked up?

The Mayor says he has placed the resources of the municipality in the hands of ordinary people, but omitted to include criminals.

Jean gng@mweb.co.za (Glenister)

We would like to congratulate you on the Annual Report.

Please would you organise to have the following given attention.

1. Street signs are so dirty that the names cannot be seen - for example at the top of Longwoods Drive the signs indicating that the cross road is Umhlanga Rocks Drive - this cannot be read because of the dirt.

2. Our beautiful City Hall of Durban is need of a good clean inside. Even if it could be swept clean. We attended a Symphony concert last Thursday night - we sat upstairs - it was filthy. Please would you organise to have the City Hall swept clean inside.

3. We noticed that the interior of the City Hall is in a state of needing repair. Please don't let this beautiful building be neglected. Please put a maintenance crew onto our City Hall.

Facebook Comments – Advert for submission of comments posted on 24 February 2020

Prince Nduku:

PUBLIC COMMENT FOR WHAT NGOBA VELE ANISILALELI ANISIQASHI NISENZA IYLIMA NIPOSTANA NEMISEBENZI ENGEKHO EPHEPHENI EVERY WEEK UKUZE GOVERNMENT ABONE NGATHI NIYASEBENZA NIBE NIDLA IYMALI NISIHAMBISA AMA INTERVIEW ABHUSENDE SIKHAPHA ABANGANI BENU NIJIKE NITHI POST HAS BEEN REPOSTED NISAKHA OPOPAYI.

Erich Cloete:

And the ANC regime were the auditers of their own performance...

Sibisi Mlungisi:

ETHEKWINI MUNICIPALITY WHAT IS NEEDED FOR YOU IN ODER TO BE QUALIFIED TO HAVE UR OWN ELECTRICITY?

Earl Francis:

What happened about the recommendations of the Manasa report, you city of corrupt, looting thieves.

Mbulelo Mastapiece Mpungane:

And where does the public submit their comments about the annual report

Amy Radebe:

Sicela uGESI bakwethu!!! 8hours uphelile manje

Nduduzo Thabethe:

We haven't had electricity since Saturday...ninjan Kant Nina? Unya olungaka

Facebook Comments – Advert for submission of comments posted on 28 February 2020

Gaynor Bagwell:

25% spend of its clinic budget and has adjusted the budget to be able to quickly spend it on things like aircons, fences, computers and signs and railings. Whilst those things have value, this money was meant for much-needed complete revamps.

That means the promised overhauls of clinics in Newlands East (Glen Earle) and West, Lamontville, Chesterville, Kloof, Umkomaas and Austerville will all not be completed.

This is effectively budget dumping by an incapable department. We will ensure that the communities in those areas know how the ANC-led administration has broken their promises.

Caroline Mthethwa:
Unfortunately I am working .Hope 2019/2020 will be better yr for ethekwini Municipality perfomance, all service delivery issue and backlog will be resolved by us Municipality workers Councillors and our Top Leadership

Troy Dike:
When are you going to refund my rates and utilities as I sold my house and been battling 2 years now for my refund.

Menzi Maxwell Mthethwa EMbongolwane:
your performance is very poor right now I have a reference number for past four week I'm waiting for you guys

Facebook Comments – Advert for submission of comments posted on 10 March 2020

Nhlanhla Ngidi:
Help angina gesi kodwa senga aplaya lutho sizan bo mekungenzeka

Facebook Comments – Advert for submission of comments posted on 12 March 2020

Thami Xuma:
What about this Small business of V section in Umlazi whom you have removed them in their place of Trade and promise them that by January you would have been done Building their premises for Trade of which you Abolished, until now that Place is still like this.

Kishore Harilall:

Why was it necessary for a company from India to create a billing system for Ethekwini Municipality when there are local companies that could have done this.

Janine Hofmeyr:

What is being done about collection of rubbish in Chris Hani rd. Contractors say they not picking it up. It's not there job....15/03/2020

Clint Griffin:

It's national governments job to build houses. It's your job to service the ratepayers. On this you fail.

LaRoy Dunster:

My emails to Revline are never replied to. Our Electricity Account has not been credited with payments made March last year. Why Not? When talking to other old people of all race groups, we feel we are the Abused Citizens. We cannot keep up with your inflated estimates & bad Billing.

Kay Schofield Mahaye:

Are you proud that people in your municipality are being arrested for fraud.

Nokwanda MakaZena:

Kanti u Stage bani we load shedding lo 16h00 no light again ngo 20h00???? Newlands West

Lesley Gilbert:

Proud? Of what? Could it be stealing from the rate/tax payers who pay your salaries?

Rene Grove Brink:

What rubbish when 17 have been arrested for fraud

Suresh Kevin Rampersadh:

Pick the Dirt up . Going into 2 weeks

Janine Magree:

https://www.dailymaverick.co.za/article/2020-03-17-ethekwini-to-foot-legal-bill-for-city-manager-accused-of-fraud/

LaRoya Dunster:

Today's Daily News. P8. Big headlines. Municipal. Billing system a shambles. EThekwini. Time to STOP intimidating the Ratepayers who actually pay your salaries. Your billing system does not suit what it's used for. Your staff have problems with it.

Add this to my complaints. No water since Saturday evening. It's now Sunday morning,

Neighbors & myself have tried every phone number possible to report problem, NO response from any!!!   For how much longer are we expected to make allowances for 0 service

ANNEXURE B

AG LOG 2018/2019									
No.	**Ref**	**Audit finding**	**Internal Control Deficiency**	**Recommendation**	**Management Response**	**Auditor's conclusion**	**Action Plan**	**Responsibility**	**Date**
1	**City Manager's Office**	**1. Consequence management- Investigations finalized during the 18/19 interim audit** In terms of section 62(1)(e) of the MFMA states that the accounting officer is responsible for the financial administration of the municipality and for this purpose must take all reasonable steps to ensure that disciplinary action or appropriate criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct. It was noted that no documentary evidence was provided to confirm that the recommendations and disciplinary actions requested by CIIU where actioned by management and that the irregular expenditure or fruitless and wasteful expenditure arising from these investigations were disclosed in the irregular expenditure note in the financial statements.	Slow response by management in addressing the recommendations arising from investigations outcomes and adequately addressing consequence management.	The accounting officer is requested to provide: · Current status of cases including disciplinary actions taken based on the recommendations by CIIU as well as action taken in relation to the irregular implications arising from the cases. • Amounts of irregular expenditure or were applicable fruitless and wasteful expenditure arising from these investigations	Management responses provided on schedule. Refer to page 82 of MR.	Management comments are noted however no supporting documentation has been provided to audit to corroborate management comments on disciplinary action being instituted.	The City Manager has appointed the external team to proceed with the implementation of the CIIU recommendations. The City Manager is also in the process of drafting the report to EXCO in terms of the legislation governing the discipline of sec 56 employees. The processes are underway.	City Manager: Sipho Nzuza	30-Jun-20
2	**City Manager's Office**	**2. Consequence management- Investigations finalized and reported in the 2017/18 AGSA Management report** In terms of section 62(1)(e) of the MFMA, the accounting officer is responsible for the financial administration of the municipality and for this purpose must take all reasonable steps to ensure that disciplinary action or appropriate criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct. This finding was raised at 2018/19 interim audit and the management response we received stated "With respect to the investigations management will provide an update and evidence whether the recommendations and disciplinary actions requested by CIIU have been actioned at the year-end audit" • Documentary evidence supporting that disciplinary action had been instituted against implicated officials for cases finalised and reported in 2017-2018 were not provided.	Slow response by management in addressing the recommendations arising from investigations outcomes and adequately addressing consequence management.	The accounting officer is requested to provide: • Current status of cases including disciplinary actions taken based on the recommendations by CIIU as well as action taken in relation to the irregular implications arising from the cases. • Amounts of irregular expenditure arising from these investigations	Management responses provided on schedule. Refer to	Management comments are noted however no supporting documentation has been provided to audit to corroborate management comments on disciplinary action being instituted.	The City Manager has appointed the external team to proceed with the implementation of the CIIU recommendations. The City Manager is also in the process of drafting the report to EXCO in terms of the legislation governing the discipline of sec 56 employees. The processes are underway.	City Manager: Sipho Nzuza	30-Jun-20
3	**SCM**	**3. Reasonable steps to prevent irregular expenditure** Section 62 (1) (d) of the MFMA states that the accounting officer to take reasonable steps to prevent irregular expenditure. Despite the commitments provided by senior and executive leadership to improve the supply chain management (SCM) control environment, there has been a slow response by management in ensuring that there are adequate controls to prevent and detect irregular expenditure. Coupled to this is a slow response by management to effectively deal with employees who have transgressed the relevant SCM polices and processes. This is evident from the repeat findings on irregular expenditure and consequence management that were identified during the current year. The table below represents the total irregular expenditure incurred in the current year compared to prior year: -	· Inadequate controls over demand management resulting in contracts and awards procured without inviting competitive bids, and the deviations were approved even though it was practical to invite competitive bids. · Inadequate monitoring controls over bid documentation and compliance checklist to ensure all required documentation as required by SCM regulations has been reviewed for each prospective bidder before an award can be made.	Management is urged to review the adequacy of their initiatives a per the audit action plan to effectively prevent and detect irregular expenditure. The review should also include the adequacy of consequence management for line departments with repeat findings.	Management has implemented sufficient controls to effectively prevent and detect irregular expenditure from the placing of an order to the actual payment. Payments are not released if Irregular and the expenditure not regularized, however audit comments are noted. The increase in irregular expenditure is as a result of matters outside of the control environment and these matters are either under investigation or as a result of unforeseen circumstances. All irregular expenditure identified is reported to and investigated by the CIIU. In addition, a consequence management monitoring schedule is maintained.	Management comments noted. Audit to follow up on consequence management and implementation of controls to prevent irregular expenditure in the 2019/20 audit.	All irregular expenditure identified is reported to and investigated by the CIIU. In addition, a consequence management monitoring schedule is maintained. Root cause analysis will be done and guidance will be provided to the CIIU for the purpose of expediting the process.	Name: KA Kumar Position: CFO Andre Petersen Head: SCM	30-Jun-20
4	**Water and sanitation**	**9. Payments not made within 30 days of receipt of invoice** As required by section 65(2)(e) of MFMA, "The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;" During the audit of operating expenditure, payments identified on following tables were made more than 30 days after receipt of the invoice.	Internal monitoring within the payment processes was not implemented to identify and address delays in the payment of invoices.	The finance managers should implement stricter controls over the payments process. Expenditure vouchers should be redesigned such that approval dates for each stage of the process are clearly evident. Management should also consider the implementation of a payment route form which will aid in tracking every stage of the payment process and isolating responsibility for where there are delays that could have been avoided.	***Water and Sanitation*** ***RAF Engineering*** ***T***he 15% additional authority took long to be loaded and approved on the contracts module, secondly there were new requirements introduced on the accompanying documents that were not initially provided, the documents were returned for these to be included.	Management comments are noted. As this was within the control of management, the finding will remain. Follow ups will be during the 2019/2020 audit on the implementation of planned actions.	The accountants will draw and periodically review the aging analysis and follow up on exceptions. Monthly JDE reports on payments made after 30 days will be circulated to all the relevant Heads by the Finance Mnagers to provide reasons and pursue consequence management actions.	Comfort Bhane	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
5	Expenditure/Internal Control	**20. Irregular expenditure disclosed in Note 52 is understated** In terms of section 62(1) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure: (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. (d) that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented; (e) that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15. It was noted that the following investigations were finalised and it was recommended that irregular expenditure or fruitless and wasteful expenditure should be disclosed in the annual financial statements however no amounts were disclosed in the AFS as at 30 June 2019.	Slow response by management in addressing the recommendations arising from investigations outcomes and adequately addressing consequence management.	Management is required to disclose the irregular expenditure and fruitless and wasteful expenditure in the AFS as at 30 June 2019.	Irregular expenditure for items 2 and 3 have been disclosed in the AFS. Item 1 will also be disclosed and consequence management will be accelerated in this regard in terms of the project plan on consequence management that is already approved by the EXCO.	Managements comments are noted. Audit confirms that amounts recommended to be disclosed in the AFS as at 30 June 2019 have been disclosed.	Engagements with the CIIU are ongoing for the reports to be made available with conclusions involving irregular expenditure. This information will then be analysed for the purpose of disclosure to the AFS.	Head Expenditure	Ongoing
6	SCM	**21. Discrepancies identified in preference points calculation** Regulation 7(2) of the Preferential Procurement Regulations 2017 states that, the following table must be used to calculate the points out of 10 for B-BBEE:	Inadequate reviews performed by the members of the bid evaluation committee (BEC) resulting in the preference points calculations being incorrect.	The BEC committee should ensure that points attributed by the line department to a supplier for the B-BBEE level, is supported by a valid B-BBEE certificate.	The Auditor's finding is hereby acknowledged. In terms of Preferential Procurement Regulations 2017, 16(3) any tender that was advertised before the effective date of the Preferential Procurement Regulations 2017 it must be dealt with in terms of the 2011 Preferential Regulations. Therefore, each case will be responded to on the basis of when it was advertised, not when it was evaluated. • WS-6994 & 6996 were advertised on 05-05-2107 therefore 2017 regulations were applicable. The tenderer is a BEE level 3 and therefore should have been scored 6 for preference points, but they were scored 8. • H-30330 was advertised on 23-3-2018 therefore 2017 regulations were applicable. The tenderer should	Management comments are noted. Audit will follow up on points calculations in the 2019/20 interim audit.	The Compliance Section will be sensitized to ensure that the points calculation are performed accurately.	Name: Andre Petersen Position: Head: SCM	30-Jan-20
7	Real Estates	**48. Inappropriate controls in respect of land purchases.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. During the audit of Capital Work in Progress (CWIP), it was identified that the Municipality paid for the purchase of land on 29 September 2016 upon approval received from the Bid Adjudication Committee. However, per inspection of the supporting documents in respect of sale, the purchase and sale agreement was only concluded and signed on 21 June 2018.	Management did not implement proper controls to ensure that payment for the land was only made once the purchase and sale agreement was duly signed by both parties.	Management should implement controls to ensure that payments to third parties in respect of land purchases are only made once there are valid purchase and sale agreements which are signed by both parties.	Audit recommendation is noted. Payments to third parties in respect of land purchases are only made once the agreements are appropriately concluded. This was an isolated incident pertaining to the acquisition of land by our Economic Development Unit from a joint venture in which the municipality has an interest.	Management's response has been noted. This will be assessed during our financial year ended 30 June 2020 audit to ensure that appropriate controls are implemented and followed. Therefore, the audit finding will remain.	The necessary controls will be put in place over land purchases however this was an isolated incident pertaining to the acquisition of land by our Economic Development Unit from a joint venture in which the municipality has an interest.	Name: T Mmusinyane Position: Head: Real Estate	30-Jun-20
8	Electricity: AOPO	**35. Reported performance not valid and accurate for key performance indicator 3.34 – Percentage of planned maintenance performed** The National Treasury Framework for managing programme performance information (FMPPI) requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The municipality reported actual performance of 52.14%. However, the percentages were recalculated per quarter based on reports provided.	Management did not implement proper controls to ensure that the data collected for the indicator is in accordance with the technical indicator description and in line with actual evidence.	Management should review the target and the technical indicator description to ensure that the actual reported performance is supported by proper underlying records.	Agree, we have achieved 73.7% on average for the year but with the last quarter, we have improved to 86.85%. The issue has been the time taken to capture the outage responses – the time taken to capture data doesn't always coincide with the reporting deadlines, hence the inconsistency. Plans are in place to bring the out of commission equipment back to service so restoration time can be shortened as all the backup supply will be available at any given time.	Over and above the required adjustment to the annual performance report we awaiting the sample of customer recordings to determine the completeness of the schedule.	Plans are in place to bring the out of commission equipment back to service so restoration time can be shortened as all the backup supply will be available at any given time.	Head electricity: Maxwell Mthembu	In progress
9	Expenditure	**58. Employee Cost Journal Entries.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. During the audit of employee costs, it was noted during journal entry testing that the following discrepancies were identified:	Management did not implement proper controls over journal entries posted to ensure that all journal entries posted are authorised, authorisation dates are documented and journals are approved before capturing.	Management should implement controls over journal entries posted to ensure that all journal entries posted are authorised, authorisation date is documented and journals are approved before capturing. Management should ensure that more robust reviews are performed on journal entries being processed.	The journals are always only captured by preparers and approved authorizers after first being checked for correctness by the relevant authorizer(s). Due to the fact that journals are exchanged electronically, the review and checking is done on the electronic version prior to processing and therefore the printing and manual signing was done after the actual transaction was captured and authorized on JDE. Going forward, journals will only be reviewed on manual copies and confirmation of such review will be a signature prior to capturing and approving on JDE.	Management's response has been noted. A follow up will be conducted during the next financial audit. The audit finding will therefore remain.	Journals will only be reviewed on manual copies and confirmation of such review will be a signature prior to capturing and approving on JDE and the details will be checked for completion and accuracy. Date stamp will also be introduced upon capturing.	Name: Nosihle Nkonyeni Position: Corporate Executive: Departmental Accounting Name: Kuselo Nteleko Position: Manager: Financial Statements Name: Zama Cele Position: Senior Finance Manager	30-Jun-20
10	Electricity: AOPO	**36. Reported performance not accurate for key performance indicator 3.36 – Percentage of customer quotations produced according to standard.** The National Treasury Framework for managing programme performance information (FMPPI) requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The municipality reported actual performance of 42%. However, the following was noted: - The municipality provided workings showing actual performance of 37% - The auditor's recalculation on the reports indicate an actual percentage of 35%.	Management did not implement proper controls to ensure that the data collected for the indicator is in accordance with the technical indicator description and in line with actual evidence.	Management should review the target and the technical indicator description to ensure that the actual reported performance is supported by proper underlying records.	Agree - that the actual performance was incorrect. This is an error and it should be 37%. Disagree with the 35%. - Reported performance is inaccurate. Our calculations were based on number of working days (10 days) rather than number of consecutive days (14 days). An extract from NRS047-1 is presented hereunder:	The auditor calculation is based on 10 working days and 1 month as there is no mention of 14 consecutive days or 38 days in the regulation above. As a result, we disagree with managements reported performance.	Managements action plan outstanding	Senior Manager: CPW - Jay Kalichuran	

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
11	**Electricity: AOPO**	**37. Reported performance not accurate for key performance indicator 3.37 – Percentage of electricity connections energised according to standard** The National Treasury Framework for managing programme performance information (FMPPI) requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The municipality reported actual performance of 64% (3827 of 6012 connections energised). However, the following was noted: - For KPI 3.26 and KPI 3.27, the municipality reported 6012 connections energised. This does not correlate with the actual performance reported above. - This indicator measures all connections on Ellipse but the municipality has excluded connections other than credit and prepaid residential from the calculation. - The reports provided include connections energised in years prior to 2018-19. - For 2724 connections there is no "paid date" in the report provided but the municipality has treated this as actual performance. - The auditor's recalculation on the reports indicate an actual percentage of 49% (including "no paid dates above" Consequently, the reported performance for this indicator is not reliable.	Management did not implement proper controls to ensure that the data collected for the indicator is in accordance with the technical indicator description and in line with actual evidence.	Management should review the target and the technical indicator description to ensure that the actual reported performance is supported by proper underlying records.	Agreed. These are new KPIs on the City's SDBIP we will rephrase our KPI's to be more specific and concise to avoid ambiguity and confusion - For KPI 3.26 and KPI 3.27, the municipality reported 6012 connections energised. This does not correlate with the actual performance reported above. Refer to comments on next item - This indicator measures all connections on Ellipse but the municipality has excluded connections other than credit and prepaid residential from the calculation. Agree. We will align future reporting to all connections. - The reports provided include connections energised in years prior to 2018-19. Disagree. There is a delay between installation and capturing of connections for different reasons. To ensure consistency, in reporting at any time, the date on which the installation was captured is taken as the driver for this report. - For 2724 connections there is no "paid date" in the report provided but the municipality has treated this as actual performance. Disagree. 20 A connections are fully subsidized and no fees are paid by the applicant. However, the application is assessed and an estimate of R0 (connection fee) is approved. Ellipse doesn't allow a job card to be printed unless the connection fee is authorised and paid in full (even if it is zero).	The errors and limitations noted by management will be included in the management report.	Managements action plan outstanding	Senior Manager: CPW - Jay Kalichuran	
12	**City Manager's Office**	**158. COGNOS Licenses paid for without proof of delivery/supporting documentation** As required by section 65(2)(a) of MFMA, "The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds. Refer to communication of finding 16 of 2019 in which it was confirmed that the procurement of the COGNOS licenses did not follow the proper SCM processes.	Management did not have adequate processes and procedures in place to confirm that the goods and services were received prior to approving payments.	Management should provide evidence of the receipt of the related licenses or alternatively confirm whether no processes were in place for confirm that payments were made in respect of software licenses that had not been received.	We agree with your findings and confirm that due processes in improving the effectiveness of our internal controls will be implemented. We have instituted investigations into the matter to recover any losses incurred. Instruction was given to IMU to stop payments until the investigation is finalised. These amounts have been disclosed as irregular expenditure.	Management comment is noted. We confirm the amounts have been disclosed as irregular expenditure due to non compliance with S19 of the SCM regulations. We will follow up on the recommendation taken by management of the investigation report in the 2019/2020 audit.	We have instituted investigations into the matter to recover any losses incurred. Instruction was given to IMU to stop payments until the investigation is finalised. These amounts have been disclosed as irregular expenditure.	Name: Sipho Nzuza Position: City Manager	30-Jun-20
13	**Expenditure:Assets**	**44. Identification of impairment indicators during physical verification of assets.** In terms of GRAP 17 the accounting officer of a municipality is responsible for considering indicators of impairments of fixed assets, with reference to GRAP 21 and GRAP 26 as appropriate, with the aim of determining if the carrying amount of the asset exceeds the recoverable amount of the asset which will result in an impairment of the asset. Per GRAP 26.20, "An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset." During the audit of Property, Plant and Equipment, it was established through asset physical verification that the following assets had impairment indicators present. This was due to the fact that the assets were in a poor condition and as a result the carrying amount of the assets may exceed the recoverable amount. The following items were identified:	Management did not implement effective controls to ensure that departments submit and perform their impairment assessments.	Management should implement effective controls to ensure that departments submit their impairment assessments in a timely manner. Management should ensure that a robust impairment assessment be conducted on all assets by each department. In the event of an impairment being identified, management should apply the corrective accounting treatment.	We disagree with the finding The asset is not in use as only phase 1 has been completed. Phase 2 is currently in its detailed design stage and implementation is expected to commence in the year 2021. Structurally the asset is not in bad condition and there are reports to prove this. The structure has visual minor cracks on the concrete and these will be smoothed out during the completion of phase 2.	The audit team subsequently went out to physically verify the asset again with an engineer from eThekwini as well as an independent engineer from the audit team. It has been noted that while there have been signs of the asset needing to be maintained, that the asset is still operating in a manner with which was constructed and therefore the functional assessment as provided by the eThekwini engineers is reasonable. Therefore, based on consultation with an engineer from the audit team we can accept as reasonable that no impairments need to be processed in respect of the storm water. In respect of the hostels it has been verified through consultation with management that these are insured with an external 3rd party insurance company. The audit team inspected the email which was sent to the insurers for the value which eThekwini wanted to insure the hostels for and it was verified that these amounts were R299Mil for the Kwa Mashu Hostel and R325Mil for the Kwa Dabeka hostel. This email to the 3rd party insurers was sent by eThekwini on 20 February 2019 at 9:45 am from eThekwini to Lapsire	Accountants will be advised to indicate the cases where insurance claims or repairs against the assets are raised for the purpose of impairment assessment. The Finance and Internal Control team will periodically verify assets and identify assets that need to be assessed for impairment and engagements with the Strategic office will be carried out to determine the values.	Refer to page 170 of management response	30-Jun-20
14	**Expenditure:Assets**	**45. Capital work progress assets in use and not transferred to Property, Plant and Equipment.** In terms of GRAP 17.68 Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. During the audit of Capital Work in Progress (CWIP), it was established through physical verification, that assets categorized as CWIP were in use and not under construction hence these assets were incorrectly classified as CWIP. The following assets were identified:	Management did not implement effective controls to ensure that CWIP assets are monitored on a regular basis to ensure that CWIP is classified to Property, Plant and Equipment in a timely manner.	Management should ensure that effective controls are implemented during the physical verification process conducted by Ethekwini Municipality thereby ensuring that completed CWIP assets are identified and transferred to Property, Plant and Equipment. Management should ensure that the identified items are transferred to Property, Plant and Equipment and depreciation is calculated on the identified items and the correct accounting treatment is applied. Management should revisit the population to identify assets which are incorrectly classified as CWIP and transfer those identified assets to Property, Plant and Equipment.	Refer to page 175 of MR	Refer to page 175 of MR	Various task teams have been established with the purpose of analysing WIP and engagements will be held with relavant Units to determine the status of the assets.	Refer to page 175 of MR	Ongoing
15	**Expenditure**	**10. Inappropriate offsetting of consumer debtor credit balances.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. In accordance with GRAP 104-Financial Instruments, a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. During the audit of Consumer Debtors, it was noted that the RMS age analysis contains debtors credit balances of R906 976 710, which had not been separately disclosed as creditors. In terms of GRAP 104, unless a legally enforceable right to offset the credit balances against a debit balance exits, offsetting is not permitted.	Management did not implement adequate measures to identify debtors with credit balances and identifying the need to reclassify debtors with credit balances.	Management should implement effective controls to identify debtors with credit balances. The debtor credit balances should be disclosed as a current liability unless a legally enforceable right to offset the recognized amounts has been identified.	Management agrees with the finding. However, based on the fact finding exercise performed, R480 million would need to be reclassified since the remaining balance relating to unallocated receipts is already mapped to creditors. Going forward, an additional working paper for debtors with creditors balances will be prepared and circulated to the relevant finance teams as part of the AFS working papers to ensure that debtors with credit balances are disclosed as creditors.	We acknowledge management's commitment in the identification of debtors with credit balances going forward. In respect of the finding above, an authorized adjusting entry of R481 420 113 was noted. The journal processed appropriately allocated the credit balances from the debtor votes into a creditor vote. It was further noted that an amount of R401 908 868 had already been mapped to creditors in respect of unallocated cash. Based on the amount of the credit balances we identified above, an unadjusted amount of R23 647 727 remains. Based on the schedule and support obtained it was noted that this difference is as a result of the total unallocated cash amount per the age analysis being used as opposed to the credit balance amount per the finding above. In accordance with GRAP 104-Financial Instruments, a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset	Going forward, an additional working paper for debtors with creditors balances will be prepared and circulated to the relevant finance teams as part of the AFS working papers to ensure that debtors with credit balances are disclosed as creditors.	Name: Kuselo Nteleko Position: Finance Manager	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
16	CIIU	**11. Delays in finalising investigations and disciplinary action** In terms of section 171(4)(a) of the MFMA states that a municipality must investigate allegations of financial misconduct against the accounting officer, the chief financial officer, a senior manager or other official of the municipality unless those allegations are frivolous, vexatious, speculative or obviously unfounded. Furthermore, the MFMA Municipal Regulations on Financial Misconduct, Procedures and Criminal Proceedings and the MSA Disciplinary Regulations for Senior Managers require that each investigation must be completed within 30 days from the date of appointing the investigator. Based on our review of the significant cases provided by the City Integrity & Investigations unit (CIIU), it was noted that the following 208 investigations listed in the table below are under investigation for a period exceeding 30 days as at 30 June 2019, hence resulting in non- compliance with The Municipal Regulations on Financial Misconduct, Procedures and Criminal Proceedings and the Disciplinary Regulations for Senior Managers.	Inadequate controls and processes to ensure the timeous finalization of investigations and implementation of recommendations.	The CIIU should intensify their efforts to ensure that all outstanding cases are timeously finalized, reported and monitored. In this regard, the unit should review the adequacy of its resources to successfully achieve its mandate and intensify their efforts in ensuring that critical vacant positions are timeously filled.	1. We agree with the Auditor's recommendation with respects to intensifying our efforts to timeously finalize our cases. It should however be noted that CIIU has capacity issues, considering the volume of cases on hand. 2. We also agree with the recommendation that the adequacy of our resources should be reviewed. In this regard the review process of our organogram was initiated and is at the advanced stages within the Municipality's processes. 3. We would however like to indicate that in our view the finding relating to the finalization of each investigation within 30 days from the date of appointing the Investigator in terms of Financial Misconduct Procedures and Criminal Proceedings and the MSA Disciplinary Regulations for Senior Managers, does not relate to an investigation process. In our view the Regulations are referring to the appointment of the Investigator, sometimes called the Initiator who initiates the disciplinary process of the Disciplinary Hearing. That process falls under Consequence Management, which does not fall under CIIU's span of control. The finalisation of forensic investigation depends on various factors, s/such as the complexity of the matter and the availability of information and witnesses. We however strive to	Management comments are noted. Audit will follow up on the matter during the 2019/20 interim audit period.	CIIU will produce a monthly report to all clusters on all disciplinary issues and follow up will be made. Oversight on these reports will be provided by the Disciplinary Board and Audit Committee.	Mbuso Ngcobo Position: Head: City Integrity and Investigations Unit	30-Jun-20
17	SCM	**12. Municipal Supply Chain Regulation 44 - Awards to entities (suppliers) whose directors/members were in service of the state** In terms of Municipal SCM regulation 44, the supply chain management policy of a municipality must, irrespective of the procurement process followed, state that the municipality may not make any award to a person who is in service of the state. Through the use of computer assisted audit techniques (CAATS), the following prohibited awards were noted during the period under review (refer to Appendix A.2 for further detail)	The municipality did not during the period under review, implemented ongoing effective monitoring controls to timeously prevent and detect transactions that do not comply with Municipal SCM Regulation 44.	The accounting officer is urged to review the reasons as to why the 117 cases listed above were not detected by the existing internal control system. Corrective action should thereafter be taken to improve the process. The accounting officer should also investigate the 1 award that was based on "false or incorrect" declarations that were received by the municipality. The irregular expenditure amounting to R 24 556 097 should be disclosed in the financial statements.	Audit comments are noted however please see below response on certain issues: Included in the above amount is R 2 436 996.00 which is for payments made to Co-Operative and Audit has requested the recent COI Task Team resolution exempting Co-Operatives and this will be submitted immediately. Also included in the above amount is R 10 130 977.00 which is for invalid findings as per follow up on our systems (CSD, Ethekwini Vendor Portal and Cross Check) there is no conflict. Evidence was presented to Auditor General reflecting that the director is no longer in service of the state however A.G rejected this evidence stating that the documentation is outdated. We therefore require schedule to include appointment dates to the state institution in order to ascertain the validity of the evidence submitted. Lastly in the above amount is R 1 021 218.00 which is for SABC related conflicts and as previously discussed with Auditor General these are to be followed up by their team as its missing critical columns and disputed by the directors which we have contacted.	Management comments are noted however audit has not received a resolution from the COI task team indicating that co-ops are exempt. Based on an assessment of the management responses and supporting documentation provided, it was noted that the following conflicts still remain: 1. Non -compliance amounting to R 1 015 128 resulting from false supplier DOI 2. Irregular expenditure amounting to R 19 125 100 resulting from no supplier DOI Audit notes that R 1 644 196 was disclosed during the interim audit period, hence, R 17 500 904 is required to be disclosed as at 30 June 2019 as irregular expenditure	Root cause analysis relating to each incident should be carried out and disciplinary actions to be taken The circular giving guidance on manual quotes and revised quotation form will be re-issued. Declarations are completed with each contract and any non compliance by the suppliers relating to this control is dealt with as part of consequence management, eg. Blacklisting.	Head: SCM - Andre Peterson	30-Jun-20
18	SCM	**14. Non-compliance with SCM regulation 44 - Awards to entities whose directors/members were in service of the municipality** In terms of Municipal Supply Chain Regulation 44, the supply chain management policy of a municipality must, irrespective of the procurement process followed, state that the municipality may not make any award to a person who is in service of the state. Through the use of computer assisted audit techniques (CAATS), it was noted that 4 awards amounting to R 1 045 359 (refer Appendix A.1) were made to entities whose directors and members were in the service of eThekwini municipality	The municipality did not during the period under review, implement ongoing effective monitoring controls to timeously prevent and detect transactions that do not comply with Municipal SCM Regulation 44.	The accounting officer is urged to review the reasons as to why the 4 cases listed above were not detected by the existing internal control system. The accounting officer should further ensure that proper disciplinary processes are instituted against affected employees once investigations are concluded. Irregular expenditure amounting to R 1 045 359 should be disclosed in the financial statements.	These matters have been referred to City Integrity and Investigations Unit to follow up on the conflict. The Conflicts for councillors have been submitted to the speaker's office and we await a response. The amounts to be declared will be followed up with the Finance Unit.	Management comments are noted. Based on the information provided audit concludes that 3 of the 4 conflicts reported relate to employees having no declaration of interest hence resulting in irregular expenditure of R 959 959. 1 of the 4 individuals is a councillor, hence Municipal Systems Act 32 of 2000, schedule 1 code of conduct for councillors, section 8 is applicable and as no evidence was provided confirming that the councillor did obtain municipal consent to undertake other paid work. This results in non-compliance.	Root cause analysis relating to each incident should be carried out and disciplinary actions to be taken The circular giving guidance on manual quotes and revised quotation form will be re-issued.	Head:PME - Nirmala Govender	28-Feb-20
19	SCM	**13. Municipal SCM regulation 46(2)(e) - Awards to close family member's business partners and associates of persons in service of municipality** Municipal SCM regulation 46(2)(e), requires officials within the municipality to declare to the accounting officer details of any private or business interest with that person or any family member, partner or associate may have in any proposed procurement or any award of a contract by the municipality. Business Partners: A total of 14 awards (refer Appendix A3.2) to business partner's and associates of 10 employees amounting to R 11 012 252 were identified and the following was noted:	The municipality did not during the period under review, implemented ongoing effective monitoring controls to timeously prevent and detect transactions that do not comply with Municipal SCM Regulation 46(2) (e).	The accounting officer is urged to review the reasons as to why the above cases were not detected by the existing internal control system and corrective action should thereafter be taken to improve processes. The line managers for affected employees listed on Appendix A.3.2 are required to follow up on outstanding and false declarations and where necessary institute disciplinary action.	The necessary action, including consequence management will be undertaken by the relevant supervisory authority for each person listed, for not appropriately disclosing the relevant information, after the matter has been reviewed to ensure accuracy.	Management comments are noted. The finding results in non-compliance amounting to R 11 012 252	CAATS report to be reviewed with an intention to identify the related party transaction and verification if a false declaration was submitted. If false declaration was submitted GCC to be followed on active contracts and further guidance on MBD 8 on the declaration of bidders past supply chain management practises with the intent to black list the vendors on the portal where instances of breach are identified. Compliance section to maintain a register of related party transaction based on the declarations made with each bid to ensure related party transaction notes are updated for the purpose of AFS preparation. Further the committees must review the declaration for conflict of interest to ensure such reported instances are identified in the decisions to facilitate reporting of the transaction.	Head:PME - Nirmala Govender	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
20	PME	**15. Section 5(a) of schedule 1 code of conduct for councillors - Awards to close family member's business partners and associates of persons in service of municipality (councillors)** In terms of the Municipal Systems Act 32 of 2000, section 5(a) of schedule 1 code of conduct for councillors, states that a councillor must disclose to the municipal council, or to any committee of which that councillor is a member, any direct personal or private business interest that councillor, or any spouse, partner or business associate of that councillor may have in any matter before the council or the committee A total of 3 awards (refer Appendix A3.1) to close family members of councillors amounting to R 113 119 were identified.	The municipality did not during the period under review, implemented ongoing effective monitoring controls to timeously prevent and detect transactions that do not comply with Municipal SCM Regulation 46(2) (e).	The accounting officer is urged to review the reasons as to why the above cases were not detected by the existing internal control system and corrective action should thereafter be taken to improve processes. The line managers for affected employees listed on Appendix A.3.1 and A.3.2 are required to follow up on outstanding and false declarations and where necessary institute disciplinary action.	The necessary action, including consequence management will be undertaken by the relevant supervisory authority for each person listed, for not appropriately disclosing the relevant information, after the matter has been reviewed to ensure accuracy.	Close family members of councillors Management comments are noted. The finding results in non-compliance amounting to R 113 119. Business partners of councillors Management comments are noted. The finding results in non-compliance (false DOI) amounting to R 4 539 185.	The necessary action, including consequence management will be undertaken by the relevant supervisory authority for each person listed.	Head:PME - Nirmala Govender	
21	SCM	**16. Limitation of scope – Fictitious suppliers** In terms of section 62(1) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. The following information requested on 03 June 2019 has not been provided to audit: Through the use of computer assisted audit techniques (CAATS), it was noted that the following suppliers share the same physical addresses hence management comments were requested:	The supply chain management (SCM) department failed to implement proper record keeping controls to ensure that information requested by audit is timeously provided.	The Head of the SCM department is urged to provide the requested information to enable audit to conclude on whether or not the suppliers are fictitious.	Comment 1: Sharing Addresses "It is noted that some businesses share addresses due to them located in business hubs, business parks, business blocks and or shared office spaces. These addresses will be forwarded to CIIU for their attention to determine if it's a possible indicator of fraud or collusive bidding and investigate. The Municipal Bid Documents (MBD 9: Certificate of Independent Bid Determination) is a management control tool that requires bidders to declare that there is no unfair agreements or collusion for each specific projects." Further there is no prohibition in law to the sharing of business addresses and premises and reliance is placed on the control of MBD 9 to detect any bid rigging or collusion that may present in each bid (See MFMA circular 52 of 30 July 2010). MBD 9 is an established preventative control tool which has been introduced by National Treasury for local government to combat abuse of the supply chain management system as envisaged by circular 52 and further regulation 38. Comment 2: Incomplete Addresses "Audit comments are noted however please note that these companies are not "Active" on the database and have not been paid by council during the period under review. They have not registered on the Vendor Portal	Management Response/Comment 1: Sharing Addresses (Annexure A) Management response noted, we will follow up in the 2019/2020 audit. Management Response/Comment 2: Incomplete Addresses Management response noted, Management is requested to provide supporting documentation to confirm that no payment was made to suppliers. Management Response/Comment 3: VAT Numbers Management comments are noted. The finding is closed.	Compliance section will strengthen records management controls to ensure that the information is readily available.	Head: SCM - Andre Peterson	Immediately
22	SCM	**17. Limitation of Scope – Tenders** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. • The following contract files requested on 01 August 2019 were provided however all relevant documentation was not provided as indicated below:	The SCM department has not performed adequate reviews over information submitted to auditors to ensure that all documentation requested has been submitted timeously.	The Head of the SCM department is urged to provide the relevant supporting documents as requested by audit to enable audit to perform the necessary procedures and provide a conclusion on procurement relating to the award.	• AFS has been provided to audit • No SLA in place as per line however LOA issued for the licensing of COGNOS (as per section 58 special deviations award)- Contract file is with AG • The tender documents for the disqualified bidders could not be located from our archived files. • Contracts performance report for IH 35455 has been provided to the auditors. As per our records no unsuccessful letters have yet been issued for contract 1H-31643 and the matter is currently in SCM process. • 1L-18632 - The query was discussed with Deputy Head: CIIU (Dumisani Cele) who has agreed that the file would be made available to the Auditors directly by themselves. This is after several email attempts to get the investigating officer to respond to the request for the file.	Management comments are noted however as The requested information is still outstanding audit concludes that the limitation of scope remains. 1H -31643 Audit disagrees with management comments relating to the tender being in the SCM process as audit have identified payments being made to Zikhulise Group (Pty) Ltd in relation to contract 1H-31643 in the period (01 July 2018 – 30 June 2019).	Investigation and action plan to be undertaken on each of the items with dicrepancies and the corrective action will be taken.	Head: SCM - Andre Peterson	28-Feb-20
23	SCM	**18. Limitation of Scope – Contract payments not provided** In terms of section 62(1) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. The following payments requested on 25 September 2019 have not been provided to audit: • Payments for the period (01 July 2018 – 30 June 2019) for the following contracts tested in 2017/18 have not been provided. The 6 payments that were provided are not reflected in the below table.	Contract numbers captured onto the payments module by line departments differs from the contract numbers maintained by the supply chain management unit (SCM) and treasury unit.	Management in the SCM unit, line departments and the treasury unit are urged to implement controls to ensure that contract numbers are consistent, and this can be facilitated by SCM unit supplying the contract numbers to treasury for capturing. Reasons should be obtained from the line department management for the use of contract numbers that differ from the contract numbers as per the public tender's register, as the use of two different contract numbers for the same contract increases the risk of duplicate payments and payments for services not rendered. The outstanding payments should be forwarded to audit.	The auditors' recommendations are noted. The JDE E1 payments file to all suppliers for the financial year have been provided to the audit team. A further submission of payments to the selected suppliers has been submitted. Where payment information could be associated directly with the contract numbers from the listing of Tender Awards, these have been provided. It is therefore agreed that standard operating procedures need to be improved across SCM Tenders Section, Line Units/Departments and SCM Operations to ensure consistency in capture of payments to ensure they are referenced to the appropriate tender award/contract, by 31 December 2019. 1H-35455 Raiphela General Services CC No payments have been made for the period 1 July 2018 to 30 July 2019 to the supplier. 1H-17188 Raiphela General Services CC It should be noted that the contract was for the appointment of the panel of service providers. When the services of this service provider are requested to provide quotations and the award is made by BAC under the new contract number. 4V-13172 Namandla Roads and Civils	Management comments are noted however the following payments are still outstanding: • Payments for the period (01 July 2018 – 30 June 2019) for the following contracts tested in 2017/18 have not been provided.	Supply Chain Operations will strengthen records management controls to ensure that the information is readily available.	Head: SCM - Andre Peterson	Immediately

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
24	SCM	**19. Section 58 of the municipality's SCM policy inconsistent with the municipal SCM regulations** Regulation 36(2) of the municipal supply chain regulations states that the accounting officer, must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) and report them to the next meeting of the council and include as a note to the annual financial statements. Section 58 of the municipality's SCM policy states that certain procurements are to be treated as special deviations from the SCM process. This covers areas previously treated as 'Finance Payments' and the approved list includes IT software licenses. It is still necessary, however, to ensure effective controls. Therefore, prior approval must be sought from the CFO, Head: SCM, designated official or CFO for the municipal entities. Without evidence of such prior approval payments will not be authorized and be treated as irregular expenditure. Quarterly reports are to be produced for the Accounting Officer on expenditure incurred, and/or to be incurred through a central register to be maintained by the SCM Unit. On review of section 58 of the municipality's SCM policy audit noted the following • "Finance payments" are not defined in the municipality's SCM policy • Section 58 does not require that the accounting officer, to record the reasons for any deviations and report them to the next meeting of the council and include as a note to the annual financial statements. • The process to be adhered to for "special deviations" is not clear.	Inadequate review of the municipality's supply chain management policy by SCM management to ensure that it is clear, relevant and consistent with the municipal supply chain regulations GNR 868, 30 May 2005.	SCM management should review the SCM policy, with specific reference to Section 58 and ensure that terminology used in section 58 is defined. Management should also ensure that sections included in the policy are consistent with municipal supply chain regulations GNR 868, 30 May 2005. Management to review all contracts using section 58 of the municipality's SCM policy to ensure they are all categorized correctly.	Auditor's notes are hereby acknowledged, during the review of the SCM policy such will be considered. A Standard Operating Procedure will be developed to deal with policy provisions of section 58 wherein all definitions and procedures will be outlined, in order to guard against making the policy descriptive but we should rather keep it prescriptive,	Management comment is noted. Management should disclose all contracts procured through the use of Section 58 as deviations in the AFS.	The register will be maintained for all section 58 appointments and this information will be provided to the AFS department and the Standard Operating Procedure will be developed to deal with policy provisions of section 58 wherein all definitions and procedures will be outlined,	Head: SCM - Andre Peterson	30-Jun-20
25	SCM	**4. Period of advert for less than 30 days** Section 112 of the MFMA states that the supply chain management policy of a municipality must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management. Regulation 22(1)(b)(i) of the municipality's SCM policy states that the tender must be advertised for a minimum period of not less than 30 days in the case of transactions over R10 million (Vat included) or of long term nature, or 14 days in any other case. It was noted that the following contract award amounts where above R 10 million (VAT included), however the tender was advertised for a period of less than 30 days. Further noted that there was no justification for the shorter period.	The Accounting officer failed to ensure that the requirements as per the SCM regulations were adhered to.	The Accounting officer should ensure that bids exceeding R 10 million (VAT included) are advertised for a minimum period of 30 days and should only approve a shorter period in instances where the bids unique or peculiar circumstances render an advert period of 30 days to be impractical or impossible to follow the official procurement process.	Finding is not accepted. SCMP 22(2) States inter alia that The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days' requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process. MSCM Regulation 22(2) further states that A supply chain management policy may allow the accounting officer to determine a closure date for the submission of bids which is less than the 30 or 14 days' requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process. On 09/09/2011 the City Manager approved the shortening of advertising period for all bids above R10 million from 30 days to 28-29 days in order to meet	Audit disagrees with management comments. Management should note that notwithstanding regulation 22(2) of the SCM policy providing for an advert period that is shorter than 30 days, this is only permissible in exceptional cases and at the discretion of the accounting officer however this provision cannot be applied as a matter of policy. To determine if circumstances are exceptional, consideration will have to be given to a bids peculiar circumstances, hence it is incorrect to apply a blanket approach. i.e. that all bids will be advertised for less than 30 days without regard for each bid's unique or peculiar circumstances. Management should further note that shortening the number of days should not be for the purposes of administrative convenience as the legislation does not prescribe a maximum number of days for closing of bids. It is therefore concluded that the accounting officer should ensure that the blanket approach for advertising bids for periods less than 30 days should be stopped with immediate effect and controls should be implemented to ensure strict	The department commits itself to advertise for at least 30 days unless in exceptinal cases.	Head: SCM - Andre Peterson	Immediately
26	SCM	**7. Irregular procurement processes – Contract 1H – 31643 Zikhulise Group (Pty) Ltd** Section 112 of the MFMA states that the supply chain management policy of a municipality must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply management. Regulation 29(1) of the Municipal Supply Chain Management Regulations states that the bid adjudication committee (BAC) must consider the report and recommendations of the bid evaluation committee; and either depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or make another recommendation to the accounting officer how to proceed with the relevant procurement. On review of the supplier payments listing for the period (01 July 2018 – 30 June 2019) it was noted that payments amounting to R 27 491 242 were made to Zikhulise Group (Pty) Ltd in the 2018/19 period for contract 1H -31643, for the construction of civil engineering infrastructure for 1000 sites at Umlazi area 2, however the following anomalies were noted in the bid adjudication and award process: - • The contract number could not be identified on the current year as well as the prior years' tenders listing • The BAC decision dated 02 April 2019 indicated that the item was to be referred	The Accounting officer failed to ensure that there was a valid BAC decision supporting the awarding of the contract to Zikhulise Group (Pty) Ltd prior to the signing of the letter of award.	The Accounting officer is required to provide reasons as to why the letter of award was issued prior to the BAC final decision.	There appears to be no Letter of Award issued at Tenders office. In perusing the BAC decisions, the last decision on 02-04-2019 wherein the item was referred back to BEC for further reconsideration. It is noted however that the item was also Laid on Table at EAC 04-02-2019 and was supported, hence it would appear that the matter requires further investigation by CIIU.	Management comment is noted. There is non-compliance with the SCM regulations which results in irregular expenditure. Management is requested to disclose this contract as irregular expenditure in the AFS. There is no internal control monitoring and a total disregard with compliance to the relevant National Treasury legislations. It appears to be fabrication of documentation provided to the auditors. Due to the fraud risk factors identified the matter should be investigated by CIIU.	This issue is under investigation and corrective measures will be taken based on CIIU recommendations. The controls around the procurement process are sufficient.	Head: SCM - Andre Peterson	30-Jun-20
27	SCM	**8. Possible circumvention and abuse of SCM processes** Section 112 of the MFMA no 6 of 2003 states that supply chain management policy is to comply with prescribed framework. The supply chain management policy of a municipality must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management. In terms paragraph 38(1) of the Municipal Supply Chain Management Regulations, "A supply chain management policy must provide measures for the combating of abuse of the supply chain management system, and must enable the accounting officer a) to take all reasonable steps to prevent such abuse." The AGSA noted that the municipality abused and circumvented supply chain management process by failing to go out on tender for the appointment of a new service provider for the cleansing and waste removal services when the six months' contract came to an end on 30 June 2018. The municipality opted to deviate and extend the contract on several occasions.	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. Lack of review and monitoring of compliance with applicable legislation.	Management should ensure that there are monitoring mechanisms in place to ensure compliance with applicable SCM prescripts. Management must ensure that there are controls and mechanisms in place to prevent abuse and circumvention of SCM process through deviations and extensions that are unjustified. Payments made to the service providers should be disclosed as irregular expenditure in the AFS.	The matter under enquiry is sub judice, therefore the Unit is unable to provide a comment. Management will disclose the contract as irregular expenditure.	Management comment is noted. The irregular expenditure has been disclosed in the AFS. The finding will remain in the report due to the material non-compliance in terms of s62 of the MFMA.	Action plan not provided owing to the matter being subjudice.	Raymond Rampersad Position: Head of Department	n/a

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
28	**SCM**	**22. Non-compliance with applicable prescripts (variations)** Section 15(1) of the Public Audit Act states that when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to— (a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or(c) any staff member or representative of the auditee. According to MFMA circular 62 on expansions or variations state that contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Municipal Councils and Board of Directors of municipal entities are required to amend their supply chain management policies accordingly. Furthermore, anything beyond the abovementioned thresholds must be reported to council or the board of directors. Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of section 116(3) of the MFMA which will be regarded as an amendment to the contract. Section 116(3)(a) of the MFMA on Contracts and contract management states that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after (a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality. The AGSA noted that the municipality extended the existing contracts of the service providers listed on table 2 below. However, the original contracts entered into	None provided	Management must examine the amounts paid on all contracts. Where payments exceed the initial contracted amount, these amounts should be recognized as irregular expenditure. Although the monitoring of contracts is the responsibility of the unit that utilizes the contracts, monitoring of expenditure to date should be done by the SCM and finance units. Procedures must be developed and implemented that makes the review of part payments a pre-requisite against expenditure to date and contract amounts. Management is required to implement proper record keeping records to ensure that information requested by audit is provided timeously.	The matter under enquiry is sub judice, therefore the Unit is unable to provide a comment.	Managements comments are noted. Audit confirms that all amounts paid as at 30 June 2019 relating to contract SQ66/0068 have been disclosed as irregular expenditure in the AFS as a 30 June 2019. Will follow up on consequence management in the 19/20 interim audit.	Action plan not provided owing to the matter being subjudice.	Raymond Rampersad Position: Head of Department	n/a
29	**Expenditure**	**23. Non- compliance with section 62 of the MFMA** Section 62(1)(d) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented. Through inspection of the invoices and the municipality's payment information, the AGSA noted that the municipality made a duplicate payment to Uzuzinekela Trading for refuse collection and street cleaning services, listed table 3 below.	Management did not implement adequate review controls and procedures to prevent fruitless and wasteful expenditure. Furthermore, management failed to implement adequate controls to ensure that the municipality makes payments for goods and services received.	Management is required to implement adequate controls for review of payments and ensure that only payments are made for goods and services rendered. Furthermore, the system controls should also be implemented to detect duplicate payments. Management should ensure there are no duplicate payments on all payments in the current year. This payment made should be disclosed as fruitless and wasteful expenditure in the AFS.	The matter under enquiry is sub judice, therefore the Unit is unable to provide a comment.	Management comment is noted. The irregular expenditure has been disclosed in the AFS. The finding will remain in the report due to the material non-compliance in terms of S62 of the MFMA.	The matter under enquiry is sub judice, therefore the Unit.	Head: Raymond Rampersad	n/a
30	**Water and sanitation**	**24. Expired contracts relating to contracted services provided for audit** As required by section 65 (2) (a) of the MFMA, "The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds." During the audit of contracted services, it was identified that expenditure was incurred and payments made for the following contract even though the contract submitted for audit is considered to have expired at the time the services were rendered. The contract was entered into on the 22 December 2017 and stated that the contract period was "for the period of 6 months or until the new tender is awarded, whichever comes first." As can be seen by the invoice dates in the below table, services related to periods after June 2018. There was no evidence of a new tender being awarded with updated unit charges for the services provided.	Management has not implemented adequate monitoring of contracts and extensions to ensure that services rendered and payments made are supported by valid contracts. Furthermore, invoices are not being reviewed against contracts to ensure correct unit charges are being billed by the service providers.	Contract management processes must be enhanced to ensure that contracts that are ending must be identified at least six months in advance so that the relevant processes can be initiated. Where applicable management must make use of contract extensions as far as it is within the ambit of the MFMA. Standard operating procedures must require staff to attach extracts of contracts detailing unit charges to enable expenditure approvers to confirm the agreed upon rates are being charged by the service provider.	The four (4) service providers (Uzuzinikela, Ilangalamahlase, Omphile Thabang and Elshaddai) were re-appointed via section 36 from the 1st of July until 31st December 2018 via SQ66/0068. (Refer to the attachment 4).	Management comments are noted. See further comments below. Contract period on SQ66/0068 states "03 July 2019 to 30 December 2018." It must also be noted that it was signed by the Municipal manager 12 September 2018. The auditor is uncertain if the typing error above in the contract refers to a) "30 December 2018 to 03 July 2019" or b) "03 July 2018 to 30 December 2018". It must also be noted that the contract extension provided makes no reference to the scope of work or unit price charge to enable to audit to determine that valid items were billed at the agreed upon price.	In cases where applicable, the department will strengthen the records management controls to ensure proper audit trail.	Manager Administration and Systems - Thandeka Gwamanda	30-Jun-20
31	**SCM**	**25. Orders placed exceed the approved deviation amount** Section 36(1)(a)(v) of the SCM policy states that "The Accounting Officer may dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations in any other exceptional case where it is impractical or impossible to follow the official procurement processes" Section 36(13) (a) of the SCM policy states that "Unit or Department invoking the use of section 36 (1) (a) (v) must in all reports to BAC demonstrate that the use of this provision is not as a result of poor planning for it being impractical or impossible to follow the official procurement processes. Where there is a risk of poor planning proof that remedies and actions including disciplinary processes have been taken to avoid recurrence" Orders placed for certain water valves were approved as a deviation in terms of section 36 of the SCM regulations by Bid Adjudication Committee (BAC) on 15 May 2016. The deviation states that purchases should not exceed R 4 500 000 for these valves. Upon inspection of the payments made to supplier that provide these valves KZN stainless steel engineering from 15 May 2016 to 30 June 2019, it has been identified that payments amounting to R 53 873 848 have been made to supplier by water and sanitation.	Management has not adequately monitored the conditions of the deviation to ensure all conditions of approval were adhered to.	Management must investigate the overspending of the conditions attached to the deviations. All overspent amounts must be adjusted in the financial statements as irregular expenditure. Deviations must be properly recorded with conditions to enable regular monitoring. This will also assist management in the procurement planning processes. Where items are needed on a regular basis, management must ideally enter into contracts with suppliers.	Agreed. However, the R53 873 848 that was identified by Auditor General included not only the payments of valves but also other goods and services. The correct amount that is in excess of the contract authority is R14 668 044, the report outlining line payments was given to the auditors. The correct amount that was paid for the valves was in total of R19 168 044. The regularisation report for the amount in excess of contract authority will be prepared by the Manager Procurement on 5 December 2019 and financial statements will be adjusted accordingly.	Managements comments are noted. Based on the supporting documentation provided, we do confirm the amount over spent was R 14 668 044. Awaiting the updated irregular register to confirm this amount has been included. Follow ups will be done in the 2019/2020 audit on the regularization of this deviation.	Supply chain operations will ensure that proper contract managent and reporting is undertaken. The internal memo in this regard has been issued.	Manager (SCM) - Bongiwe Shabangu	30-Jan-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
32	**Water and sanitation**	**26. Fixed charges not billed – Non-domestic consumers** Section 64(1) of the MFMA indicates that, "The accounting officer of a municipality is responsible for the management of the revenue of the municipality." Section 64(2)(e) further states that, "The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system which— (i) recognises revenue when it is earned; (ii) accounts for debtors; and (iii) accounts for receipts of revenue;" While performing work on revenue from service charges, it was noted that fixed charges relating to the sale of water were not raised on consumers for the months indicated in the table below	Management did not implement adequate monitoring over monthly billings to ensure service charges were billed completely and in line with approved tariffs.	The revenue manager must investigate the reasons for above charges being omitted and provide adequate reasons and supporting documentation for audit purposes. If necessary, adjustments must be made with all supporting documentation being made available. Management must perform monthly data analysis to identify incomplete billing and implement appropriate actions.	Agree - Management prior to the reporting of this incident had found and investigated that fixed charges for certain pods had not raised for the month of August 2018. An impact analysis has been done and will be raising these charges.	Managements comments are noted and the implementation of all planned actions will be followed up during the 2019/20120 financial year.	1. Discuss and identify root cause with Support Team. 2. Prepare extract and review. 3. Sample automated adjustments. 4. Deploy patch in production to recover charges.	Business Analyst / Deputy Head - Ian Govender / Aaron Mfunda	29-Feb-20
33	**Water and sanitation**	**27. Calculation inaccurately performed** In terms of the MFMA Section 64(2) (a), "The accounting officer must take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy." The Municipal Systems Act (MSA) section 95(d) further states that, "In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity, (d) Where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and Verifiable metering systems; (e) Ensure that persons liable for payments, receive regular and accurate accounts that Indicate the basis for calculating the amounts due; (f) Provide accessible mechanisms for those persons to query or verify accounts and Metered consumption, and appeal procedures which allow such persons to receive Prompt redress for inaccurate accounts; While recalculating the accuracy of the amount billed, it was found that that the billing system calculated the billed amount as follows: "Consumption multiplied by the tariff for 6Kl or less (apportioning for the no. of billed days). The differences identified was where the consumption exceeded 6kl with the billing system still incorrectly applying the consumption against the 6kl or less tariff, which resulted in an under-billing of revenue. Refer to "Annexure Water findings", worksheet "Inaccurate calculation" for details of misstatements identified.	An application control review of the RMS system was not adequately conducted to ensure that the programme controls on the system are working as intended.	The revenue manager must investigate the population of multi-unit bulk meters where the consumption is greater than 6Kl to confirm the incorrect tariffs being charged. Adjustments must be processed and billings adjusted to address the incorrect billing, with all supporting documentation being available for audit purposes. Programme controls must be reviewed periodically to ensure that the controls are operating effectively throughout the year.	Agree - Management will refer to the Support Team and investigate why a split tariff was not applied for the population of accounts. An impact analysis will be requested thereof before analysis is provided and billings for the affected accounts are recalculated and adjusted.	Managements comments are noted and the implementation of all planned actions will be followed up during the 2019/20120 financial year.	1. Discuss and identify root cause with Support Team. 2. Prepare extract and review. 3. Sample automated adjustments. 4. Deploy patch in production to recover charges.	Business Analyst / Deputy Head - Ian Govender / Aaron Mfunda	29-Feb-20
34	**Water and sanitation**	**28. Estimates of consumption for more than three months** In terms of the MFMA Section 64(2) (a), "The accounting officer must take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy." The Municipal Systems Act (MSA) section 95(d) further states that, "In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity, where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems." Furthermore, in terms of the accounting policy of the municipality, "service charges relating to water and electricity are based on consumption. Meters are read on quarterly basis and are recognized as revenue when invoiced." Contrary to the above accounting policy, the following consumer in our sample was found to be estimated for more than 3 consecutive months. See details below:	Management did not monitor the implementation of the approved policies in ensuring that meters are read on a quarterly basis.	Management needs to ensure that the approved policies are applied accordingly. Management must ensure that where billings are estimated at year end, estimated figures used are reliable and will not differ significantly from actual readings which can result in misstatements in revenue. In addition, management needs to continue the implementation of planned actions to continuously perform meter readings as depicted by the improvement above.	Agree - Management has noted the finding and is busy with intensifying its efforts through its various plans to ensure we drastically reduce meters that have no valid billable reading for greater than 90 days. Also changes to meter reading parameters will aid the improvement in meter readings thus reducing estimates for more than 90 days as well as additional programs planned to improve efficiencies within Meter Reading in its entirety.	Managements comments are noted and the implementation of all planned actions will be followed up during the 2019/20120 financial year.	1. Finalization of Meter Reading contract. 2. Proactive meter maintenance operations to align itself with meter reading. 3. System enhancements to CR for Overbilling to address rejected readings. 4. Finalization of Large Diameter contract. 5. Refresher training to Key Dept.s involved in daily production of processing readings and maintenance. 6. Weekly Operations meeting to discuss updates and challenges for the week in respect of this item. 7. Deletion of UTL pods > 1,000 Days (Pending Verifcation)	Business Analyst / Senior Manager - Ian Govender / Stalyn Joseph / Lindo Mnguni	30-Jun-20
35	**Water and sanitation**	**29. Negative Consumption** **T**he Municipal Systems Act (MSA) section 95(d), "In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity, (d) Where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and Verifiable metering systems; (e) Ensure that persons liable for payments, receive regular and accurate accounts that Indicate the basis for calculating the amounts due; (f) Provide accessible mechanisms for those persons to query or verify accounts and Metered consumption, and appeal procedures which allow such persons to receive Prompt redress for inaccurate accounts; During the audit of Service Charges, water consumption was recalculated and it was identified that some of the Multi Unit Blocks (MUB's) has a negative consumption. The consumption of the internal meters exceeded the consumption of the main meter. This could possibly be due to faulty meters. Refer to "Annexure Water findings", worksheet "Negative Consumption" for details of misstatements	Reviews and analysis of billings are not adequately performed to ensure that the water consumption billed are valid and accurate.	Management must investigate and provide reasons for the basis of the negative consumption for main meters. An analysis of the entire population must also be done to determine if there are further instances with all supporting documents being provided for audit purposes. Management must perform proper review checks to ensure that the correct calculations are being performed. Controls around the audit verification of consumption and readings must also be assessed with measures being implemented where deficiencies are identified.	Agree - Management is aware of the finding which is attributed to a defective bulk meter within this system. Management experienced SCM challenges that had delayed the supply of these devices which has been intermittently resolved. Currently, we are undertaking the changing of these bulk meters and processing simultaneously adjustments to correct billings.	Managements comments are noted and the implementation of all planned actions will be followed up during the 2019/20120 financial year.	1. Finalization of Large Diameter contract. 2. Review of Accounts. 3. Manual Adjustments of Accounts. 4. Review to determine whether all affected pods adjusted.	Business Analyst / Senior Manager - Ian Govender / Stalyn Joseph / Lindo Mnguni	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
36	**Water and sanitation**	**30. Consumer bills not provided** Section 64(1) of the MFMA indicates that, "The accounting officer of a municipality is responsible for the management of the revenue of the municipality." Section 64(2) states that, "The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure b) that revenue due to the municipality is calculated on a monthly basis; c) that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;" During the audit of Revenue Service charges, it was found that the following consumers listed in the table below were not billed on a monthly basis.	Management did not implement adequate monitoring over monthly billings to ensure service charges were billed completely and in line with approved tariffs.	The revenue manager must investigate the reasons for above charges not being done on a monthly basis. Where deficiencies in the internal control processes are identified, controls must be re-designed or implemented to ensure compliance with the relevant legislation.	Agree - Management observes the finding however cognizance must be given to fact that operational challenges with infrastructure i.e. meter replacement and/or access issues render it difficult to bill an actual reading for the current month. Nonetheless management will endeavor to encourage the relevant teams to action readings and maintenance prior to billing in order to align billing and revenue collection.	Managements comments are noted and the implementation of all planned actions will be followed up during the 2019/20120 financial year.	1. Finalization of Meter Reading contract. 2. Finalization of Large Diameter contract.	Business Analyst / Senior Manager - Ian Govender / Stalyn Joseph / Lindo Mnguni	30-Jun-20
37	**Water and sanitation**	**31. Negative balance included in receivables from exchange transactions** In terms of section 62(1) of MFMA, "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards." GRAP 104.92 states, "A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity: a) currently has a legally enforceable right to set off the recognised amounts; and b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity shall not offset the transferred asset and the associated liability." While performing the audit of Other debtors included in receivables from exchange transactions we sampled a negative balance as indicated in the table below. Based on the testing performed, although the debtor was shown as the Department of Education, it was found that the amount agreed to the work performed by various suppliers for the municipality relating to the department of education.	Management are not adequately accounting for private jobbing's due to lack of understanding of the standards of GRAP and accounting principles.	The AFS department must provide guidance and training to cluster staff members specifically with regards to complex accounting transactions. Furthermore, detailed standard operating procedures must be draft and implemented detailing the specific accounts that should be used when accounting for private jobs.	We agree to the audit finding. The process of accounting for the Private Jobbing has proven to be the complex one, the department will be engaging with Financial statements, Internal control and Internal audit sections to assist with the review of the process holistically, as it has been identified that there are gaps in the process, once the due diligence has been done, the process redefined, and reconciliation done, it is anticipated that the adjusting entries will be completed in the 2019/20 financial year.	Managements comments are noted. The misclassification will be included in our schedule of immaterial misstatements. All implemented actions will be followed up during the 2019/2020 audit.	The department will be engaging with Financial statements, Internal control and Internal audit sections to assist with the review of the process holistically, as it has been identified that there are gaps in the process, once the due diligence has been done, the process redefined, and reconciliation done, it is anticipated that the adjusting entries will be completed in the 2019/20 financial year.	Manager: Departmental Accounting (Water and Sanitation) - Comfort Bhane	30-Jun-20
38	**Expenditure**	**32. No listing of 'other payables' provided** In terms of section 62(1) of MFMA, "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards." As per RFI 20 dated 03 September 2019 all listings to support the trade and other payables balances relating to the water and sanitation clusters were requested. Management was unable to provide the listing relating to Other payables to date. A similar listing was also requested in the prior year audit which could not be provided. The amount of Other payables in the prior year totalled R 102 751 577. Further discussions with management revealed that these accounts are currently being analysed. Historically, items have been incorrectly included or not timeously removed. Management performed a detailed review exercise in the 2018/2019 financial year to identify incorrect items recorded. This resulted in the Other payables balance being reduced to R 65 352 559. However, as at 30 June 2019, a listing to support the balance of R 65 352 559 is still not available and will result in a limitation misstatement of the Other payables balance	Management did not adequately monitor and reconcile the other payables amount on a regular basis to ensure records are full and proper.	Management must continue to investigate the balances included in the other payables balance and make the necessary adjustments were applicable to ensure that the balances are adequately supported. Other payables must be monitored with reconciliations being done on a monthly basis to ensure any invalid information is timely identified and corrected regularly.	There was a misunderstanding in the initial auditor's request, the listing provided was a monthly listing, which is not what the auditors expected, upon clarification with the auditors it was discovered that the auditors requested the listing making up the Net amount of R 65 352 559 at the end of June 2019 As alluded by the Auditors, the balance in the in the prior year was R102 751 577 at 30 June 2018, due to complexes, volumes and the due diligences that the unit had to apply in investigating and writing off these amounts, we were able to write off R37 399 018 in 2018/19 financial year. The exercise was not completed by 30 June 2019, the process of investigation and write off the balance is ongoing and will be processed in the 2019/20 financial year.	Managements comments are noted. The balance will be included in our schedule of immaterial misstatements and in the prior year. All implemented actions will be followed up during the 2019/2020 audit.	The process of investigation and write-off of the balance is ongoing and will be processed in the 2019/20 financial year.	Manager: Departmental Accounting (Water and Sanitation) - Comfort Bhane	30-Jun-20
39	**Electricity**	**33. Electricity meters not read (billed on estimates for 12 months)** In terms of section 62(1)(b) of the MFMA, the accounting officer of a municipality must ensure that that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. In addition, section 64 requires the accounting officer to ensure that the municipality has and maintains a management, accounting and information system which recognises revenue when it is earned, accounts for debtors and accounts for receipts of revenue. The electricity department did not read approximately 15630 meters for the 12 months from 1 July 2018 to 30 June 2019 (refer to excel annexure). Consequently, the revenue recorded on RMS may not be accurate.	Management has not implemented controls to ensure that actual meter readings are taken in terms of council policy.	Management must implement processes to ensure that proper follow up reports are generated for meters billed on estimated in excess of 6 months.	Disagree with 15630 unread meters for the 2018-19 year The first 30 connections from the list of unread meters were sampled to verify if they were unread as per the finding. Out of 30 connections, 22 (73.3%) meters were read and only 8 (26.6%) meters were unread due to reasons stated on the detailed report attached herewith. Improved controls to monitor and ensure that the actual meter readings are continuously taken will be reinforced.	Managements comments are noted. The resolution of the remaining unread meters will be followed up in 2019-20.	Improved controls to monitor and ensure that the actual meter readings are continuously taken will be reinforced.	Name: Selvan Naicker Position: Customer services manager	30-Jun-20
40	**Electricity**	**34. New meters not read in the year** In terms of section 62(1)(b) of the MFMA, the accounting officer of a municipality must ensure that that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. In addition, section 64 requires the accounting officer to ensure that the municipality has and maintains a management, accounting and information system which recognises revenue when it is earned, accounts for debtors and accounts for receipts of revenue. During the audit of revenue from the sale of electricity it was noted that new residential and business credit customers were not being billed for electricity consumed during the 2018/19 financial year. There were 755 new residential credit connections and 177 new business connections energized during the 2018/19 financial year, of which a total of 350 residential customers and 130 business customers were not billed during the year under review.	Management has not ensured that new credit meters that have been energized and captured on Ellipse are read in a timely manner.	Management must implement processes to ensure all new credit meters are read within an appropriate timeframe.	Disagree. A sample of 20 connections, both on residential and business customers was conducted and detailed supporting documentation is attached herewith. Meters were read in the financial year.	We noted some meters were only read after 30 June 2019. This matter will be followed up in 2019-20.	Improved controls to monitor and ensure that the actual meter readings are continuously taken will be reinforced.	Name: Selvan Naicker Position: Customer services manager	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
41	**EPWP**	**38. Expanded Public Works Programme (EPWP) - Payments made to EPWP workers listed as deceased persons on the National Populations Register (NRP) database.** In terms of section 62(1)(d) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), (MFMA) "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented". During the audit of payments made to EPWP workers during the year under review, it was noted that the municipality made payments to EPWP workers who are listed as deceased persons on the NRP database. Kindly refer to the table below for details:	Inadequate monitoring processes and procedures over EPWP workers by respective line managers to ensure that deceased EPWP are identified and removed from the EPWP payroll in a timely manner. Lack of complete and accurate registers to record the names, dates and hours worked by each individual EPWP worker on the programme.	Management should implement adequate internal control measures to ensure that EPWP supervisors/ foremen report deceased EPWP employees in a timely manner to avoid overpayments. Management should maintain accurate and complete attendance registers for each worker and monthly payments processed for each worker should be based on details in the attendance register. All overpayments to deceased workers should be disclosed as losses as no value was received for those payments The accounting officer should investigate all cases of overpayments to deceased EPWP workers as there is prima facie evidence of negligence by the relevant line managers and supervisors on the ground.	We accept the finding. The matter giving rise to the finding will be investigated. Upon noticing some gaps in the payment process, a communique was issued in September 2019 instructing project managers and coordinators to ensure that all participants sign attendance registers before monthly payments are processed to avoid paying deceased people (attached). Furthermore, we are currently conducting a physical verification of all EPWP participants as sanctioned by the City Manager (memo attached). This physical verification is currently underway at 24% completion as at 21 November 2019. With immediate effect, we will stop payments to the deceased individuals identified during the audit.	Management comment is noted. We will evaluate controls implemented during the next audit cycle. However, the matter remains in the management report	The project managers have been instructed to enforce the the control of signing attendance registers. The department is currently conducting a physical verification of all EPWP participants as sanctioned by the City Manager. This physical verification is currently underway and all the deceased employess will be detected and taken out.	Name: Bongani Hlophe Position: Acting Senior Manager - EPWP	30-Jun-20
42	**EPWP**	**39. EPWP employees where the Identity (ID) numbers could not be found on the NRP database** In terms of section 62(1)(d) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented". Furthermore, in terms of paragraph 12.1(b) of Ministerial Determination: Expanded Public Works Programmes No. R.347 "every employer must keep a copy of an acceptable worker identification" During the audit of payments to EPWP workers, it was noted that the identity document numbers of the following EPWP workers could not be verified against the NRP database.	Lack of proper record keeping to ensure that identity document numbers of all individuals enlisted on the EPWP are captured correctly on the payroll system Lack of adequate vetting processes before enlisting prospective EPWP workers on the programme to ensure that each enlisted individual has a valid identity document	The accounting officer should develop and implement proper record keeping processes and procedures to ensure identity document numbers of all individuals enlisted on the EPWP are captured correctly on the payroll system. Management should implement adequate vetting procedures before enlisting a prospective EPWP worker to ensure that identity document numbers submitted are valid. All cases identified above should be investigated and where valid ID documents were submitted to the municipality, steps should be taken to amend those affected records. In cases where false ID numbers were submitted intentionally, management should investigate such cases and take appropriate action against responsible officials and respective EPWP workers.	It is a prerequisite that an EPWP employee submits a certified copy of their ID. This is then uploaded onto the EPWP Reporting System (ERS) managed by the National Department of Public Works for validation. We do not have any other system of access to verify the validity of ID numbers. It should be noted that the majority of ID numbers presented on the sample may have been captured incorrectly as some have 12 and 14 digits. Therefore, we request AG to further look into this matter.	Management comments are noted. We will perform additional procedures on the results in the next audit cycle. We have also noted that ID number for participant number 1 in the table was captured incorrectly with 14 digits. The correct ID number has been validated and finding for that participant is considered resolved	The department will sensitize the administrators that capturing of information into the system should be carried out in a manner that ensures accuracy and completeness, for audit trail purposes.	Name: Bongani Hlophe Position: Acting Senior Manager - EPWP	30-Jun-20
43	**EPWP**	**40. EPWP employees in employment of one or other government department.** In terms of section 62(1)(d) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented". During the audit of EPWP expenditure, it was noted that the following EPWP workers were in the employment of other government department. No. ID number of EPWP Employee Department/entity employed in Position Appointment date Termination date (If applicable)	The accounting officer did not implement adequate internal control measures to ensure that EPWP workers are engaged using the EPWP recruitment guidelines and the Code of Good Practice. Lack of adequate vetting procedures to ensure that prospective EPWP workers are verified to be unemployed before being engaged on the programme	The accounting officer should put measures in place to ensure that the municipality follows the EPWP recruitment guidelines and the Code of Good Practice when engaging prospective EPWP workers. The above individuals applied to be enrolled on the programme knowing that they are disqualified as they were employed in various capacities in others entities. This is indicative of fraud. Management should investigate all cases mentioned above and where wrong doing is confirmed, management to should take the necessary steps to recover all payments made to those individuals as they could not be working in two places at the same time. Management should also report all confirmed cases to the substantive employers as well as SAPS as their actions constitute fraud.	An investigation will be done to determine if the people listed in the sample are still in the EPWP programme or not. We have had instances whereby EPWP participants get employed in government departments and leave EPWP but still reflect for a certain period. Furthermore, the ERS system frequently checks and flags EPWP participants who have PERSAL numbers. This is used as a control mechanism to detect any EPWP employees employed in other spheres of Government.	Management comments are noted and we will follow up on the outcomes of the investigation in the next audit cycle	The department is currently conducting a physical verification of all EPWP participants as sanctioned by the City Manager. This physical verification is currently underway and all the deceased employess will be detected and taken out. An investigation is also underway to determine if the people listed in the sample are still in the EPWP programme or not.	Name: Bongani Hlophe Position: Acting Senior Manager - EPWP	30-Jun-20
44	**EPWP**	**41. Payment of EPWP participants by the municipality** In May 2017, EThekwini Municipality appointed Affirmative Portfolios CC to administer payroll services on behalf of the municipality to EPWP participants for a period of three years. The services which were to be provided under the contract are: Refer to page 162 in MR for the complete finding.	The municipality did not have adequate processes for the administering of the payroll of EPWP participants.	The municipality should develop and implement processes and procedures for the payment of EPWP participants by the municipality. Such a process should include the all relevant units involved in the process, as well as supervisory sign-off by the authorised municipal staff. The processes should also ensure there is no duplication of functions applied to the processing the payment of EPWP participants. Ensure that the arrangement for the processing of payroll for EPWP is formally concluded in a contract with the service provider. Such an SLA should include the transfer of software utilised to validate EPWP participants to the municipality. The contract should also clearly state the reporting lines for the service provider at the municipality.	Agree with the finding. As Acting Senior Manager responsible for EPWP, I have had meetings with CSW management to establish the nature of the contract of the service provider who generates EPWP payments and discovered that this contract only talks to the RMS project, according to CSW Head. Furthermore, I have been part of meetings with Internal Control in order to develop a documented process for EPWP payments. This process is currently in progress. With regards to recommendations made: • There is a pending meeting with Corporate HR and Treasury to explore internalising of EPWP Payments. • Should the internalisation process be successful,	Management's response is noted and this finding will remain for tracking in the next financial audit.	The department has engaged with with CSW management to establish the nature of the contract of the service provider who generates EPWP payments . Internal Control has also been engaged in order to develop a documented process for EPWP payments. This process is currently in progress. There is a pending meeting with Corporate HR and Treasury to explore internalising of EPWP Payments.	Name: Bongani Hlophe Position: Acting Senior Manager - EPWP	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
45	**EPWP**	**42. EPWP Reporting System** The EPWP Reporting System (ERS) is a program utilised by the National Department of Public Works to collate EPWP performance of departments and municipalities throughout South Africa. The ERS version 2 was implemented by the National Department of Public Works since the beginning of April 2019 and is considered as an enhancement to ERS version 1. During engagements with the municipal staff responsible for EPWP, it was indicated that the municipality experienced a number of challenges with capturing information on ERS version 2. Some of the issues experienced by the municipality with the ERS version 2 were: Not all EPWP participants were migrated from ERS version 1 to ERS version 2. As a result, the municipality did not know whether they should recapture these EPWP participants or whether the process applied to search for EPWP participants was correct. There were new requirements for the capturing of EPWP participants on the system. As ERS version 2 was implemented in the last quarter of the municipal financial year for 2018-19, the staff at the municipality found it difficult to obtain pictures on site with EPWP participants. The municipal indicated that obtaining the addresses of participants was also a challenge, as this was not required in ERS version 1. Such information was required to register an EPWP participant on the ERS version 2. The municipal staff was unaware of how to capture specific project detail for the budgeting of EPWP on ERS version 2. The ERS version 2 became unresponsive after a bulk upload of more than 5000 EPWP participants.	The municipality was not provided with adequate training and support from the Department of Public Works to utilise ERS version 2	The municipality should seek the support of the Department of Public Works in addressing their issues experienced on the ERS version 2. Management response	We agree with the finding that there are technical difficulties in utilising the ERS version 2. The municipality will liaise with the National Department of Public Works to seek the necessary support to address issues experienced.	Management's response is noted and this finding will remain for tracking in the next financial audit.	The department will liaise with the National Department of Public Works to seek the necessary support to address issues experienced in relation to ERS version 2.	Name: Bongani Hlophe Position: Acting Senior Manager - EPWP	31-Mar-20
46	**EPWP**	**43. Prior year EPWP shortcomings unresolved** In terms of Section 62(1)(c) of the MFMA, "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. During the audit, it was noted that the municipality did not implement the recommendations to address the under-mentioned shortcomings made by the AGSA during the 2016-17 audit of the EPWP Programme: • No formalised EPWP training programme • No exit plan/strategy for EPWP participants Consequently, the municipality has not made progress to resolve prior year shortcomings and it's therefore not in a position to ensure that the objectives of the	The municipality's oversight processes are not effective to ensure that action plan implemented to addressed all the prior period shortcomings.	The municipal senior officials responsible tasked with developing and implementing the audit action plan should track all audit findings reported and monitor the progress made to resolve all audit findings on an ongoing basis	The finding is noted. All issues pertaining to the EPWP programme on the audit log are either resolved or in progress. There is proper monitoring and tracking taking place. With regards to the EPWP Training programme, this was resolved by ensuring that training is done at the beginning of the commencement of each project as non-accredited training. This will be done on all future projects going forward. Regarding the exit plan/strategy for EPWP participants, an EPWP Exit strategy technical task team has been formulated and appointed by the City Manager. The mandate of the task team will be to manage the exit strategy of EPWP participants, in adherence will all legal protocols.	Management comments are noted. It must be noted that the task team was only mandated to develop/manage the EPWP exit strategy on 4 November 2019. The corrective action taken did not materialise during the financial period under review. The finding remains valid. The non-accredited training provided to EPWP beneficiaries will be followed up during the next financial audit.	There is proper monitoring and tracking taking place. With regards to the EPWP Training programme, this was resolved by ensuring that training is done at the beginning of the commencement of each project as non-accredited training. This will be done on all future projects going forward. Regarding the exit plan/strategy for EPWP participants, an EPWP Exit strategy technical task team has been formulated and appointed by the City Manager. The mandate of the task team will be to manage the exit strategy of EPWP participants, in adherence will all legal protocols.	Name: Bongani Hlophe Position: Acting Senior Manager - EPWP	30-Jun-20
47	**Expenditure:Assets**	**46. Recording of assets on the Fixed Assets Register and Capital Work in Progress listing.** Per section 62(1)(b) of the Municipal Finance Management Act, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. During the audit of Property, Plant and Equipment, it was noted during the physical verification process that the Municipality recorded multiple assets (similar in nature) as one asset on the fixed assets register and the capital work in progress listing. The following table details each asset and project that has been identified during our physical verification which contained multiple assets per asset number or project number.	Management did not perform adequate reviews for the recording of assets and projects on the fixed asset register and CWIP listing	Management should ensure that assets are recorded individually on the fixed asset register. Management should ensure that robust reviews are performed on all additions to the fixed assets register. Management should revisit the fixed assets register to identify assets which have been recorded incorrectly and ensure that the assets are recorded individually.	Item 1: Agree with the finding. The necessary documents in order to split the block sum reflected in the cost of these assets will be obtained from the Line Department and capitalised to disclose as individual assets in the PRC company 326 Asset Register. There will however be no impact on depreciation since the useful life is the same for the assets.	This will be reassessed in the following financial period.	Upon receipt of goods/equipment, The asset managemnt team would verify the number of units received againt the delivery notes, take the assets and assign asset numbers an create spreadsheet of details and forward to the Finance for capturing. The circular with the SOP attached on assets will be re-circulated.	Manager –Departmental Accounting: Parks Recreation & Culture - Sunill Nundlall	30-Jun-20
48	**Expenditure:Assets**	**47. Impairment assessments not being performed.** Per GRAP 26.20, "An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset." During the audit of Property, Plant and Equipment, it was noted that audit evidence could not be obtained to confirm that an assessment of impairment was performed, using impairment indicators, for certain departments. The list below includes departments which have not provided an impairment assessment:	Management did not implement effective controls to ensure that departments submit and perform their impairment assessments.	Management should implement effective controls to ensure that departments submit their impairment assessments in a timely manner. Management should ensure that a robust impairment assessment be conducted on all assets by each department. In the event of an impairment being identified, management should apply the corrective accounting treatment.	Disagree with the finding. In terms of GRAP dealing with impairments, assets are inspected annually for any indications that they may be impaired. Only if such indications exist is a detailed assessment/calculation performed to determine the assets recoverable amount and the related possible impairment. The line departments, who are the custodians of assets, undertake asset inspections and verifications annually for movable assets and on a rotational basis every 2-5 years for infrastructure assets where conditional assessments are also done. No indicators of impairments were reported by asset owners as at 30 June 2019. The Heads of each department will then sign off an asset certificate certifying that impairment	Management's response has been noted. It was identified that the following companies did not submit their impairment assessments through inspection of the audit evidence subsequently provided: Furthermore, per inspection of the impairment assessment submitted, it was noted that majority of the companies submitted a one-page certificate indicating that an impairment assessment was performed. Whilst Ethekwini Municipality implemented the control, we are of the opinion that the control is not effective and conclusive. It was further noted that for instances whereby no impairment indicators exist, the respective companies have not indicated as such. Therefore, the audit finding will remain.	Accountants will be advised to indicate the cases where insurance claims or repairs against the assets are raised for the purpose of impairment assessment. The Finance and Internal Control team will periodically verify assets and identify assets that need to be assessed for impairment and engagements with the Strategic office will be carried out to determine the values.	Name: All Finance Managers Position: Finance Managers – Departmental Accounting	30-Jun-20
49	**Human resources**	**50. Overtime is not in line with the requirements of the Basic Conditions of Employment Act.** In terms of the Basic Conditions of Employment Act No.11 of 2002 (Amendment of section 10 of Act 75 of 1997), section 3 states that an employer may not require or permit an employee to work overtime except in accordance with an agreement, more than 3 hours' overtime a day or more than ten hours' overtime a week. During the audit of Employee Cost, it was noted that there are employees that worked over 40 hours of overtime per month. This resulted in the non-compliance with the Basic Conditions of Employment Act. Please refer to annexure A attached for the non-compliance identified.	Management did not implement proper controls to ensure compliance with the Basic Conditions of Employment Act.	Management should implement controls to ensure that overtime worked is monitored and controlled to be within the Basic Conditions of Employment Act threshold.	• Your comments and recommendations are noted. I must up front state that albeit that employees work in excess of 40 hours per month, I do not accept that proper controls are not in place to monitor overtime. • Overtime allocation and approval is controlled by Line Management. As you would have seen the practice in the past few years, I suggest that this audit query also be directed to the following Heads of Units for them to respond as to why their staff work in excess of 40 hours per month: o Head: Metro Police o Head: Electricity o Head: Water o Head: Security Management	Management's response has been noted. Management has plans to solve the issue raised. This will be evaluated as implemented in the next period. A follow up will be conducted during the next financial audit and therefore the audit finding will remain.	The department has created a special Overtime Compliance and Reduction project team that looks at means of reducing overtime, and seeing how compliance can be achieved. This project team meets on a monthly basis and has a member from each cluster that sits on the project. We are also currently preparing a new City Manager circular that outlines further controls and authorisations for overtime.	Head: HR - Kim Makhathini	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
50	**Human resources**	**51. Appointment forms of employees not signed by the respective officials.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. During the audit of employee costs, it was noted that not all required municipal officials signed the appointment form. The following employees, who were appointed, were noted:	Management did not implement proper controls to ensure that all appointments are as per the legislation and policy requirements	Management should implement controls to ensure that all appointments are as per the legislation and policy requirements.	The Accounting Officer signed both files, and is responsible for the operations of the Municipality For L Madlala- Chief Digital Officer- D Nene (DCM-Corporate and HR) did not sign citing the appointment of A/M instead of A/F For R Machumi- CAE – L Mthembu (the audit chairperson) did not sign the appointment, but there were no reasons laid Both applicants met the requirements of the posts, and performed well in the interview Hence the City Manager approved their appointment	Management's response has been noted. The appointment was not in terms of the requirements of eThekwini's policy and therefore the audit finding will remain.	A memorandum will be prepared and sent to all Senior Managers: HR to ensure that due process is followed in the recruitment process. Management will enforce implementation controls to ensure that all appointments are as per the legislation and policy requirements.	Name: Reginald Mkhize Position: Acting head: HR	29-Feb-20
51	**Human resources**	**52. Limitation of Scope - Employee cost information requested not submitted for audit.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Section 15 of the Public Audit Act states that when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to— (a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee During the audit of employee cost, it was noted that employment contracts for the employees listed below were not provided for audit purposes:	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should implement controls to ensure that financial statements submitted for audit are supported by appropriate and complete supporting documentation.	No management response reflected on page 188 of the Management Report	Management's response has been noted. Please refer to auditor's responses below: Item 1 and 2: The audit evidence provided by management does not suffice as the audit objective could not be met. Item 3: Management have not provided audit evidence for the requested information. Based on the above, the audit finding will remain. Item 1 and 2: The audit evidence provided by management does not suffice as the audit objective could not be met. Item 3: Management have not provided audit evidence for the requested information. Based on the above, the audit finding will remain.	Recruitment sections should check all files …Senior Managers: HR would then have to make a decision on how to deal with files that do not have the requisite documents…e.g. contract of employment, no.ID, etc. Going forward, Management will ensure that there are proper record keeping controls are maintained. Documents archived with Metro File will be made available within the stipulated time frames.	Senior Managers: HR	31-Mar-20
52	**Human resources**	**53. Inadequate controls maintained over amendments made to the Grading KPA system.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. During the audit of Employee Cost, it was noted that amendments made to the KPA system by graduates were not monitored. No evidence of access tables recording the users with administrator access to execute amendments was noted. Despite the system logging all changes made on the KPA system, no evidence of extraction or monitoring of these changes was noted. As a result of the above, amendments could be made without valid and/or approved requests. Furthermore, the lack of review of amendments may result in unauthorized amendments not being detected in a timely manner.	Management did not implement adequate controls over the amendments made to the KPA system to ensure that unauthorized amendments are detected in a timely manner. Management have not implemented effective monitoring controls for amendments to the KPA system.	Management should ensure that access tables are maintained and access to amend the KPA system should be granted on a least privilege basis. Management should ensure that audit trails of all amendments made to the KPA system are reviewed on a periodic basis to identify any unauthorised activities. The periodic review of amendments should be reviewed particularly in respect of amendments to essential requirements which require the approval of the Task Job Evaluation Committee.	The developers at IMU have confirmed that the system does have access tables recording users with administrator access to execute amendments (See Annexure: #1). The process with regard to effecting an amendment to the job specifications and content of a job description is directly linked to the Ethekwini Task Job Evaluation Policy which requires a motivation from the Unit Head and a signed job description which includes the signatures of the Employee and Immediate Supervisor. The Supervisor for the KPA&NQF section will in future be monitoring the release of adverts from the KPA database on a monthly basis. A standard operating procedure will be introduced to ensure compliance. The process of advertising a post within the municipality is initiated by the line department in the form of a request to fill (RTF) form and an approved job description requested from Compensation Management Branch which is drawn from the master job description filing system. This job description (content and job specifications) have been validated and assessed by the Job Evaluation Unit (JEU) which includes Management and Labour representatives. This job description is also ratified and approved by the Provincial Audit committee (PAC). Any	Management's response has been noted. A follow up will be conducted during the next financial audit on the implementation of controls. Therefore, the audit finding will remain.	Action plans are as per management response. Whilst we are awaiting the upgrade on the system, we will look at the current process to improve control in this regard. The amendments to the KPA's on the KPA database has been set to be undertaken by the Job Analyst only. Due to work arrangements/work load and training provided to graduates, only one graduate has been assisting in the amendment of KPA's. Access to the system is limited to two employees only. With regard to creating audit trails, a system enhancement will be required to ensure the system is able to produce audit trails. In terms of the Branch's work arrangements a Senior Grading and Remuneration Advisor is responsible for this section and would undertake monthly checks when the audit trail functionality is installed. It is estimated that the enhancement will take up to 6months to install.	Senior Manager (Job Evaluation) - Mark Van Wyk	31-Mar-20
53	**Human resources**	**54. Inadequate controls maintained over the payment process of non-executive performance bonuses.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. During the audit of Employee Cost, it was noted that there is no cut-off date for the payment of performance bonuses which relate to prior financial years. It is our understanding that performance bonuses are paid from September for performance appraisals relating to the immediately preceding financial year. Performance scores are submitted by line managers from July for payment processing. It was noted however that no cut-off date in respect of receiving performance scores are in place, the impact of which is that payments are made in the current financial year for an expense which does not pertain to the current financial year. The above cut-off issue identified is further exacerbated by the lack of a provision being raised in respect of the amounts to be paid to employees.	Management have not implemented effective controls over the payment process of non-executive performance bonus.	Recommendation Management should develop and implement a policy which stipulates a cut-off date for all performance scores to be submitted for employees in respect of performance appraisals relating to the immediately preceding financial year. It is further recommended that management consider raising a provision in respect of the amount to be paid in the following financial year based on their best estimate.	Your finding and recommendations are noted. The issue of a cut-off date for all performance scores has been under discussion and we are considering implementation thereof. Same will be further discussed with our HR Strat team and the Policy team. The issue of raising a provision will be directed to our Finance team for consideration.	Management's response has been noted. A follow up will be conducted during the next financial audit. Therefore, the audit finding will remain.	Management will engage with relavant stakeholders implement a policy which stipulates a cut-off date for all performance scores to be submitted for employees in respect of performance appraisals relating to the immediately preceding financial year. The department will also engage with Finance regarding the issue of raising performance bonus provisions. This issue will be discussed at the next HR Strat…we are looking at amending the policy to include penalties for late submission of performance rewards.	Senior Manager : Talent management - Lomave Mthembu	31-Mar-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
54	**Human resources**	**162. Late submission of timesheets.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Based on the circular for time and attendance attached (COMAF 22 – Finding 1), the duly authorized time and attendance documents must be forwarded to the payroll office by the third working day of the month. During the audit of employee costs, we noted that there are employees that did not submit their timesheets as per the requirements as stated in the time and attendance circular. As a result, a "back pay of overtime" code is used when processing the overtime that was submitted late. This could result in overtime being understated due to the late submission	Management did not implement effective controls to ensure that all employees submit timesheets timeously as required by the time and attendance circular.	Management should implement effective controls to ensure that employees submit timesheets timeously as required by the time and attendance circular.	Based on the short time frame in which line management has to submit the documents (timesheets) to payroll with relevant signatures, in some instances they are not able to achieve this by the 3rd working day of the month. It is difficult to get the documentation from outlying depots or sections that work overtime or continuous shifts in by the 3rd working day. However, payroll tries to capture as much as possible before the dummy run which takes place on the 12/13th of the month. If any submissions are received after the dummy run this results in many queries and requests for EFT's as no further capture of timesheets is possible and is carried over into the following month.	Management's response has been noted. As per eThekwini's circular regarding submission of timesheets, timesheets need to be submitted by the 3rd working day of the month. Therefore, the audit finding will remain.	The Time and attendance circular will be re-issued to sensitive line departments of the requirement to timeoulsy submit time and attendance forms. The HR department is exploring the implementaton of a biometric system that is linked to the payroll system, this is directly feed the attendance hours and avoid delays of time and attendance submitted late.	Name: Mary-Anne Cobarg Position: Deputy Head: Human Resources (Policy and Development)	30-Jun-20
55	**Human resources**	**55. Employee listing not updated for terminated or suspended employees.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. During the audit of employee costs, it was noted that there are employees that are included in the employee listing but whose contracts have been terminated or suspended. It was further noted that some of the employees have been terminated or suspend for long periods of time. Please refer to the annexure attached (COMAF 22 – Finding 2). This could result in unauthorised or invalid payments made to the employees, furthermore, estimations and provisions raised could be based on the incorrect number of employees due to employee listing not being updated.	Management did not implement proper controls to ensure that the employee listing is updated timeously and reflects the correct number of employees.	Management should implement controls to ensure that the employee listing is updated timeously and reflects the correct number of employees.	Please be advised that the Municipality runs reports and filters them based on the information that is requested. There are instances for example, overtime is paid in arrears and whilst an employee may be classified as "inactive" or "terminated" their details will appear on the report. In some instances, "inactive" employees do appear on the master listing of all employees and for various reasons would be pulled through. However, if only the current active employees are requested then the "inactive" ones should be filtered out.	Management's response has been noted. The employee listing should not include inactive employees at all and should be removed. Therefore, this finding will remain as a control deficiency.	Management will ensure that only active employees are filtred on the employee listing, inactive employees will be reported on separately with reasons for deactivation.We will in future exclude all terminated employees when extracting reports for Audit.	Name: Mary-Anne Cobarg Position: Deputy Head: Human Resources (Policy and Development)	Immediate
56	**Human resources**	**56. Employees appointed in Deputy City Managers acting positions for more than 3 months without application to the MEC.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. In terms of section 56(1) (c) of the MSA a person appointed in terms of paragraph (a) (ii) may not be appointed to act for a period that exceeds three months: Provided that a municipal council may, in special circumstances and on good cause shown, apply in writing to the MEC for local government to extend the period of appointment contemplated in paragraph (a), for a further period that does not exceed three months. During the audit of Employee Costs, it was noted that the following employees were appointed in an acting position for more than 3 months without application to the MEC.	Management did not implement proper controls to ensure that all appointments to the acting positions are as per the legislation requirements.	Management should implement controls to ensure that all appointments to the acting positions are as per the legislation requirements.	The Acting Head: HR (Mr R Mkhize) submitted scanned documentation on 21/11/2019 for the relevant appointments: - 1. 9088903 – Letter for Mpilo Ngubane (Acting DCM: Corporate & HR) 2. 4343506 – Letter for B Mphakathi (Acting DCM: Human Settlements, Engineering and ETA) 3. 6494005 – Letter for D Bhengu (Acting DCM: Community & Emergency Services) It should be noted that if no response is received from COGTA within 14 days then the appointment is accepted. (MS Act S56)	Management's response has been noted. Audit evidence was provided for items 2 and 3 on the table above and no discrepancy was noted. However, for item 1 in the table above, the Notice from the MEC was not obtained for the period 1 December 2017 to 30 April 2018. Therefore, the audit finding will remain.	We do make the requisite application for authority as is required by legislation. The issue here is record keeping, as the application was done, but could not be found. Proper record keeping will be implemented. All future all Acting appointments will be conducted as per legislation.	Name: Mary-Anne Cobarg Position: Deputy Head: Human Resources (Policy and Development)	31-Mar-20
57	**Investments**	**59. Control deficiency identified for journal entries posted.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. During the audit of journals relating to Long Term Debt, it was identified that journals were processed without evidence of the journal being approved. It has been noted through discussion that the Financial Manager is in a position to duly authorise journals in the absence of the Senior Manager. We have identified that the Financial Manager has signed as the reviewer and not the authorising party, resulting in the absence of evidence that the journal has been duly authorised. Based on the audit evidence provided to us, this reflects that there has been no authorisation to post the journal. The following journals, based on the sample selected (12 journals selected), were posted without evidence of the appropriate levels of approval:	Management have not implemented appropriate approval controls in respect of the approval and authorisation of journal entries processed.	Management should implement robust controls to ensure that journal entries being posted are approved by the appropriate staff members that have the authority to do so and evidence thereof should be present. Management should implement effective monitoring controls of all journals processed.	The Finance Manager has authority to post the journals as well as the appropriate authority to authorise the journals during the absence of the Senior Manager. During the absence of the Senior Manager the Finance Manager will sign as authorizer.	We have assessed the audit evidence that has been provided to us and have concluded that no evidence of authorisation on the said documents exist. We have noted through discussion with the Senior Manager that the Finance Manager has the ability to authorise journals in the absence of the Senior Manager, however based on the documentation provided to us, the journal documentation requires three parties to sign off on the journal (Being the Preparer, Reviewer and the Authoriser). There is no evidence of an authoritative sign off, only a Preparer and Reviewer, thus we have not obtained reasonable assurance that these journals have been authorised.	During the absence of the Senior Manager the Finance Manager will sign as authorise	Senior Manager – Investments - Linda Enicker	Immediate

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
58	**Human resources**	**57. Inadequate controls maintained over amendments made to the payroll Masterfile (Resource Link System).** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. During the audit of Employee Cost, it was noted that amendments made to the Resource Link (RL) system by payroll administrators was not reviewed. No evidence of the peer to peer reviews in place was identified. As a result of the above, amendments could be made without valid and/or approved requests. Furthermore, the lack of evidence of review for amendments may result in unauthorized amendments not being detected in a timely manner. It was further noted per our understanding that payroll administrators have access to amend all fields on the RL system and this further heightens the risk of unauthorized amendments being made. The certificate of confirmation obtained from payroll administrators in respect of the performance of their duties is not considered robust enough to prevent, detect or correct any misstatements which may arise.	Management have not implemented adequate controls over the amendments made to the RL system to ensure that unauthorized amendments are detected in a timely manner. Management have not implemented effective monitoring controls for amendments to the Masterfile.	Management should ensure that the fields which payroll administrators can amend on the RL system are limited to those necessary to perform their duties. This would require additional application controls over the RL system to enable this. Management should ensure that audit trails of all amendments made to key information such as bank details, terminations, basic salary, task grades etc. on the RL system are reviewed on a regular basis to identify any unauthorised activities.	Your finding and recommendations are noted. Our current system (RL) does not allow the control of access at field level, but rather at screen level. It is therefore not possible to achieve access control for the specific function or role of a Payroll Administrator. In order to mitigate risk, we allow for control of their capture by audit trails and exception reporting. We are in the process of procuring a new Human Capital system and your recommendations will be considered in that process.	We acknowledge the controls in place around the payment process of the blue slips however the finding relates specifically to the capturing of the blue slips on the RL system. As outlined above, the mere existence of the reconciling items is indicative that payroll administrators have not timeously captured these and this is the basis of the finding. Consequently, the finding still stands.	The department is in the process of procuring a new Human Capital system and your recommendations will be considered in that process.The audit conclusion here does not refer to this query. This will be taken into consideration when we procure the new system.	Senior Manager: Remuneration and IS - Ronika Naidoo	31-Aug-20
59	**Human resources**	**163. Inadequate controls over the capturing of blue slips on the Resource Link (RL) system.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. During the audit of Employee Cost, it was noted that blue slip reconciling items amounting to R259 937.29 in respect of non-executive blue slips, R15 143.71 in respect of councilors blue slips and R6 798.07 in respect of executives blue slips was noted. It is our understanding that the reconciling items represent amounts prepaid to employees and recorded in JDE and not yet captured on the RL system by payroll administrators. The impact of the above is that employee cost amount is overstated by the sum of the amounts stated above (R281 879). The employee cost as per the JDE system includes these blue slips amounts which have not been adjusted against employee payslips on the RL system. Despite these amounts being seeming quantitatively immaterial, these are qualitatively material. This is as a result of the reconciling items indicating that the blue slips are not timeously captured on RL by the payroll administrators.	Management did not implement adequate controls over the capturing of blue slips on the RL system in a timely manner.	Management should implement effective monitoring of the capturing of blue slips on the RL system by the payroll administrators	Your finding and recommendations are noted. Adequate controls are in place for blue slips…our controls are as follows: 1. A proper control exists for the creation of supplier codes for payment through the Finance system…same is verified by the Compliance team. 2. Each Payroll section keeps a blue-slip control book / sheet…that is used to check blue-slip capture per month. This is verified by the Payroll Controller. 3. There is also a monthly report that is used for reconciliation…Internal control extracts the payments made on JDE for all blue-slips, and same is reconciled against a RL extract of all blue-slips processed …and outstanding items are submitted to Payroll for investigation and processing.	We acknowledge the controls in place around the payment process of the blue slips however the finding relates specifically to the capturing of the blue slips on the RL system. As outlined above, the mere existence of the reconciling items is indicative that payroll administrators have not timeously captured these and this is the basis of the finding. Consequently, the finding still stands.	Going forward, management will ensure that all blue slips are captured timeously. Internal Control will conduct verifications on all blue slips prepared and captured by the payroll department.This issue will be discussed with Payroll….and a more stringent reconciliation will be implemented.	Name: RAJIV JUGOO Position: SENIOR MANAGER: PAYROLL AND ADMINISTRATION	31-Mar-20
60	**Real Estates**	**49. Estimation of valuation of Durban Marine Theme Park is not appropriate.** g In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Paragraph 55 of GRAP 17 (Property, Plant and Equipment) requires the municipality to allocate the depreciable amount of an asset on a systematic basis over its useful life. During the audit of the Investments in municipal entities, it was noted that the real estate unit had valued the land and buildings of the Durban Marine Theme Park using the depreciated replacement cost method. However, it was noted that the real estate unit only commenced depreciation from year 6 and noted in their valuation that no depreciation was recognised in the valuation model for the first 5 years from date of construction.	Management have not implemented appropriate review controls in respect of the valuation of the investment of the municipal entities, with specific reference to the valuation models and inputs utilised. Valuations should be performed in accordance with the relevant valuation and accounting standards.	Management should implement robust controls and estimation techniques to ensure that the financial valuation in respect of the investment in municipal entities is the best estimate at 30 June 2019.	Reasons: I undertook the valuation using the Cost Method of valuation (Land value plus depreciated cost of improvements). In determining the depreciation factor I have relied on my skill and knowledge that a 'building' built and termed 'brand new' generally within the first 5 years (as a valuers rule) have nil depreciation and where on inspection of the improvements there is no sign of: • wear and tear • maintenance neglect • poor construction • incompetent installation or • illegally build without the necessary approved plans and appropriate supervision	Management's response has been noted. We have engaged with our in house subject matter experts regarding management's response and we concluded that we are in a disagreement with management's response. Therefore, the identified error has been concluded as a judgmental error which will be taken to the statement of uncorrected misstatements as a judgmental error of R40 381 147.	Action plan outstanding	Senior Manager: Development & Maintenance - Rakesh Ramlugaan	
61	**Revenue**	**161. NIU (Not in Use) accounts included in the debtor balance at year end.** In terms of section 62(1) of MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Based on the ageing performed in respect of the balance of R 83 380 541, R66 729 729 of the balance appears to have been raised as an allowance for bad debts at year end. No evidence was provided to suggest that the remaining balance of R16 650 812 has been provided for. The impact of the finding is that the debtors balance at year end is overstated by the remaining balance.	Management did not implement adequate measures of identifying the responsible consumers of NIU accounts.	Management should ensure that adequate resources are deployed into investigating the NIU account balances. Failure to do so will result in the increase of these balances without the responsible consumers being appropriately billed for benefits received.	Agreed. These will be prioritized and cleared with urgency. However, there will be no impact on the bad debt provision since all debt is impaired in line with the bad debt provision policy which caters for the extent in which the debt may not be recovered.	Management's response has been noted. The finding above still stands. We acknowledge that the finding has no impact on the allowance for bad debts. The reference to the allowance for bad debts was in respect of the auditor's consideration of the impact of the potential overstatement in debtors as a result of the NIU accounts. We acknowledge further that management has committed to the prioritization of these NIU accounts however the finding still stands.	Teams are currently clearing these accounts with the intention to finalise soon. Monthly progress is monitored.	Name: Khanyi Gama Position: Deputy Head Revenue Management	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
62	**Housing**	**60. Audit Finding – Cornubia Phase 1B Project** Cornubia Housing Project is KwaZulu-Natal's first national priority project and will provide 12 000 houses catering to households earning between R1500 and R3500 per month. The project has been divided in different phases. Phase 1B was selected for audit which consists of 2180 units that has been completed in the 2018-19 financial year. **Refer to page 200 of management report.**	• Critical project management and monitoring was not effectively conducted at key milestones dates of the infrastructure project to ensure that the project was completed timeously and within the completion date, all defects were addressed and corrective action implemented to rectify poor quality. • Record keeping was not always done in a timely manner to ensure that complete, relevant and accurate information is accessible and available audit purposes.	It is recommended that: • Management should ensure proper record keeping is maintained and all information is submitted to the auditors timeously. • Management must conduct an integrity assessment on all the work performed by the appointed service provider. Upon conclusion of the assessment, management must conduct an investigation into all payments that were made to the contractor/s with the view to effecting recovery for poor quality of work. • An investigation should be conducted by management in respect of the construction of informal dwellings.	1.1 Limitation of Scope • Progress reports detailing stage of completion of the projects and percentage of budget utilized, Progress Reports are available for inspection. Please find attached two examples of such reports. Kindly contact Fadeya on 031-3113491 to arrange for inspection of progress reports and expenditure to date. • Monitoring reports by the municipality and corrective action, if any, that was implemented when delays were identified, Technical / Professional Team monitoring reports were made available to the audit team. The following delays were identified on 3 contracts, viz. i) Mageba Projects and Tekeweni Civils could not bring the project to interim milestones, therefore the project was cancelled, despite numerous attempts to assist and notices of breach. ii) PG Mavundla Engineering, withdrew from the contract after commencement and City then cancelled the contract and re-awarded to another contractor. Based on the above, where delays were encountered as a result of the contractor default, the employer acted, not often immediately as City had to follow SCM, MFMA & General Conditions of Contract	Management comments are noted and the finding has been amended. The actions to be implemented by management will be followed up in the next financial year.	Management has a dedicated Project Team that meet on a monthly basis to discuss contractual issues. These meetings are strategic and address deficiancies within the project in terms of budget, time, quality and scope. Quality inspections will be recorded and filed for all inspections done. Contractor Performance will be assessed and reviewed on a monthly basis. Delays as a result of funding approvals will be attended timeously. Close engagement with Provincial Human Settlements will be undertaken to ensure all issues of funding are resolved timeously.	Name: Nontobeko Mwelase Deputy Head: Projects	28/01/2020
63	**IMU**	**147. Password minimum length not in line with User Account Management Policy for JD Edwards application** The minimum password length on the JD Edwards application was set to at least six (6) characters instead of eight (8) as recommended by the User Account Management policy. Weak password security settings increase the risk of unauthorised individuals being able to easily guess a password and gain access to the system. This unauthorised access could result in the confidentiality, integrity and availability of business data stored on the network and systems being compromised.	Management does not review password settings configured on systems on a regular basis to ensure conformance to the User Access Management Policy. This has resulted in the approved password settings not being implemented.	The relevant System Administrators should consider implementing the following controls: • All password settings should be aligned to the requirements of the User Access Management Policy. • Regular reviews should be performed to ensure that all systems and applications have been configured in line with the password requirements of the User Access Management Policy.	Password setting has been amended.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	The department will test the implementation of an 8-character password on the JDE application, as that has a dependency on the Nedbank application which is using a 7-character password (will need to be update that also) and will configure the password length accordingly and communicate that, if it works flawlessly.	Name: Zukiswa Lujabe Position: Senior Manager: Systems Delivery	31-Mar-20
64	**Electricity/IT**	**148. Deficiencies noted with Automated Meter Reading** As previously reported, the municipality utilises the automated meter reading application called Energy Data Collection 3.5.7 for bulk electricity meter reading within the municipality. The following deficiencies were noted relating to the application: • The normal process for patch management is not being followed to ensure that up to date patches are installed on the Windows XP server hosting the application	The automated meter reading system is a legacy system with limited functionality.	All Windows based workstations and servers must be configured to update via the WSUS server. Where workstations or servers do not meet the minimum requirements of the Windows Server Update Services (WSUS) client or the updates, this hardware should be upgraded and/or replaced. The WSUS server should be configured to push updates to all Windows clients without user involvement. Management should put in place adequate preventative controls to ensure that access to the system is appropriately restricted. Individual user accounts should be defined for logging into the designated desktop machines. Redundant accounts should be deleted.	Management agrees with the findings and have already started the process and acquired the necessary funding to replace the very old AMR system. An extensive exercise is being undertaken to source the most adequate AMR system that will meet our IT requirements in order to maintain data integrity and confidentiality.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	Management have already started the process and acquired the necessary funding to replace the very old AMR system. An extensive exercise is being undertaken to source the most adequate AMR system that will meet our IT requirements in order to maintain data integrity and confidentiality.	Senior Manager – Meter Engineering - Ashwin Ramballee	30-Jun-20
65	**Electricity/IT**	**149. Deficiencies noted with Route Master application** The following issues were noted with regards to the Route Master application that is used to capture the residential customers meter readings: • The application has been installed at the desktop machines at the Meter Reading Supervisors' office at each region. No username is required to login to the application. As a result, any user with access to the network may login to the desktop machine and access the Route Master application. • There is no logging of security and user activities. Accountability for unauthorised changes made to meter reading information using these accounts may be difficult to establish. This may result in the data integrity, confidentiality and availability being compromised. The risk is compounded where there is no logging of activities.	Route Master is a legacy system with no logging capabilities and there is no recording of activities.	Management should put in place adequate preventative controls to ensure that access to the system is appropriately restricted. Individual user accounts should be defined for logging into the designated desktop machines. Redundant accounts should be deleted.	The Route master has been replaced with the Field Inspector system which allows for access control. Only designated users will be able login.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	The Route master has been replaced with the Field Inspector system which allows for access control. Only designated users will be able login.	Customer and Retail Services - Randall Wagner	30-Jun-20
66	**IMU**	**150. System log of modifications made to user access could not be provided for review** A system generated log of changes made to user access for the period 01 July 2018 to 30 June 2019 could not be extracted from the eProcurement application and provided for review. Changes may be made by system administrators to existing users' access without relevant management approvals. This could result in users being assigned inappropriate access which may be used to process irregular or unauthorised transactions.	Log of changes made to user access was not a user specification when the eProcurement application was purchased.	The Compliance Manager: SCM should engage with the service provider, Praxis to ensure that a report of changes made to user access is developed and implemented on the live system. This report should be reviewed on a regular basis against user change request to ensure that only approved request have been actioned by the system administrators.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	The history or audit log of change request per user has been developed and deployed in the system. It is available for audit review.	Musa Ndaba Manager: Compliance and Monitoring	31-Dec-19
67	**IMU**	**151. "Terminated employees" with active accounts on eProcurement** Terminated employees who have active accounts on the application are prime targets for hackers/intruders which can be used to perform unauthorised transactions. NB: None of the users noted above have administrator on the application.	System administrators are not comparing the HR termination listing to active user listing on eProcurement on a monthly basis to remove users' no longer needing access to the application.	The System Administrator should ensure that monthly checks between the eProcurement active user listing and the HR termination listing is performed to identify and disable user accounts no longer requiring access to the application.	These users will be removed from the system.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	A process with HR will be sought to ensure that employees which are no longer in the employ of the Municipality are disabled on the EProcurement system.	Musa Ndaba Manager: Compliance and Monitoring	31-Mar-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
68	Electricity/IT	**152. Audit logging not enabled on Ellipse and System administrator activities not reviewed** As previously reported, the audit logging was not enabled on Ellipse to record security significant events. As a result, the logs including system administrator activities were not being reviewed. If the logging of security events is not enabled on application, management may not be able review, identify and act upon security violations. Users with administrator privileges have full control over a system. If activities of administrators are not reviewed and monitored this may result in unauthorised activities performed not being detected in a timely manner. In addition, user id maintenance activities could be performed by administrators without valid and approved requests.	Non-compliance with the IT security policy.	Management should ensure that system security activities on the Ellipse application are enabled reviewed periodically. Evidence of such reviews should be filed for reference purposes and signed off by the management. Management should ensure that all staff adheres to the IT Security Policy	There's no audit trail to track database activities, however an audit log function was said to be implemented on Ellipse 9 of which for us to upgrade from Ellipse 8 to Ellipse9. Currently awaiting BAC approval of ICT datacentre hardware contract.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	An audit log function was said to be implemented on Ellipse 9 and the department is set to upgrade from Ellipse 8 to Ellipse9. Management is awaiting BAC approval of ICT datacentre hardware contract.	S. Tobo and Phillip Watkins Position: Senior Manager HR and Senior Manager ICT	30-Jun-20
69	Electricity/IT	**153. Listing of users on Ellipse could not be provided** A listing of all users on the Ellipse application could not be generated and provided for inspection. According testing of new user creation, modification of existing user access rights and termination of user accounts could not be tested. Access could be exploited as users may be added to the system without the required approvals, and "terminated" employee accounts may not be disabled in a timely manner. Inappropriate access may be used to compromise the validity, accuracy and completeness of data.	• Contracts for users with Ellipse skills were not renewed and there was an inadequate handover process. • The internal municipal system administrators do not have relevant Ellipse skills to extract the user listing.	Manager Development (ICT) should ensure that, i.e.: • There is a proper handover process when contractors/third parties leave the employment of the municipality, and • Internal system administrators attend advanced Ellipse training.	Staff will be trained on how to extract lists.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	Staff will be trained on how to extract lists.	Phillip Watkins Position: Senior Manager HR and Senior Manager ICT	30-Jun-20
70	Electricity/IT	**154. Intrusion prevention system not enabled on the Electricity firewall** The instruction prevention system (IPS) was not enabled on the Electricity firewall configuration file. The "config ips global" command was found to be blank, indicating that IPS was not enabled i.e. This may result in the inability to prevent or correct attacks or breaches which could compromise the integrity of information.	Inadequate firewall security procedures as the standard operating procedure (SOP) does not indicate the configuration setting for IPS.	The Senior Manager: ICT Electricity should ensure that the IPS features are enabled within the firewall configuration file. The following link explains which IPS configurations are available and their associated function: https://help.fortinet.com/fos50hlp/54/Content/FortiOS/fortigate-security-profiles-54/IPS/Configure%20IPS%20options.htm.	Impact of changing this will be investigated and recommendation implemented if found not to affect other firewall functionality.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	Impact of changing this will be investigated and recommendation implemented if found not to affect other firewall functionality.	Philip Watkins (Electricity) Position: Senior Manager: Electricity ICT	30-Jun-20
71	Electricity/IT	**155. Automated Meter Reading file not encrypted** As previously reported, the meter reading file from the Automated Meter Reading (AMR) application which contains the bulk electricity meter reading information is generated and stored in a readable, clear text format file (i.e.: .txt) which is editable. This file is generated from AMR and emailed to the billings department for manual upload onto RMS. The meter reading information from the AMR file could be modified prior to upload onto RMS. This may result in the tampered meter readings being uploaded onto RMS leading to incorrect bills being generated and issued to customers for payment.	There is no automated interface between AMR and RMS as this was not considered a system requirement when the systems were initially setup.	Management should ensure that there is an automated interface from AMR to RMS for the upload of bulk electricity meter readings. Alternatively, once the .txt file is generated and exported from AMR the file should be encrypted which would prevent the unauthorised modification of the file prior to upload onto RMS. Access to this functionality in its current state should be restricted to limited and authorised individuals only.	Management agrees with this finding and once we have procured the new AMR system it will be capable to upload directly into the RMS system. The current AMR system is too old and cannot perform that function. We will also discuss with IT undertake encryption until the new system is acquired.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	Once we have procured the new AMR system it will be capable to upload directly into the RMS system. The current AMR system is too old and cannot perform that function. We will also discuss with IT undertake encryption until the new system is acquired.	Ashwin Ramballe Position: Senior Manager – Meter Engineering	30-Jun-20
72	Real Estates	**156. Property value changes on Value Assist do not require an approval from a second valuer** Property value changes on the Value Assist system do not require approval from a second valuer, i.e. property valuers and building assessors can capture and approved their own changes. In addition, although audit trails exist to track changes made to property values these logs are not generated and reviewed by managers in the real estate department on a regular basis. Irregular or unauthorised changes could be made to property values on the valuation roll which is stored on the Value Assist system. This may result in incorrect rates being billed to consumers as property values from the Value Assist system are feed into RMS and used for rates billing.	An adequate workflow which requires independent approval of changes has not been built into the system.	A system enhancement should be developed and implemented for Value Assist which denies a property valuer or building accessor access to route changes to themselves for approval. No user should be allowed to capture and approve their own changes, i.e. changes made to property values on the valuation roll captured by property valuers should route to managers for approval thus maintaining delegation of authority and segregation of duties.	This will be considered to determine whether it will be possible to implement segregations over users who can capture value changes and users who can approve the changes to ensure the same user cannot capture and approve a value change. Further, per the new policy effective in July 2019, building assessors should not be able to capture property values and approve them. This access will therefore be removed from the system.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	Real Estates Unit will be consider whether it will be possible to implement segregations over users who can capture value changes and users who can approve the changes to ensure the same user cannot capture and approve a value change. Further, per the new policy effective in July 2019, building assessors should not be able to capture property values and approve them. This access will therefore be removed from the system.	Rakesh Ramlugaan Position: Senior Manager (Real Estate)	30-Jun-20
73	Electricity	**157. RMS does not automatically flag unread meters** As previously reported, the functionality to flag meters where physical meter readings were not captured for an extended period of time did not exist on RMS. In addition, the initial estimated consumption for a new customer is calculated automatically on unread meters based on past consumption of the prior residential customer which are processed for billing. If RMS does not flag meters which have not been read for an extended period of time, there is an increased risk of inaccurate bills being issued to the customers based on estimates. This may result in disputes from customers over incorrect bills and non-payment by customers for 'post-paid" services.	Flagging of meters which have not been read for an extended period of time was not part of the system design specification for RMS.	The Manager: Customer and Retail Services should engage with the RMS service provider to determine if a system enhancement can be made to RMS, i.e. to flag meters that have not been read for extended periods of time, for example 6 months. This will allow meter reads to visit these properties, record actual reading which can be feed into RMS to ensure accurate billings are made to customers.	Unread meter reports exist on RMS and going forward will requested and monitored weekly. There is a formalised Standard Operating Procedure (SOP) that is undergoing review which will become applicable during the 2019/2020 municipal financial year which will formalise the process.	Management response is noted. An assessment of the progress on the corrective actions agreed to by management will be performed during the next audit review cycle.	Unread meter reports exist on RMS and going forward will requested and monitored weekly. There is a formalised Standard Operating Procedure (SOP) that is undergoing review which will become applicable during the 2019/2020 municipal financial year which will formalise the process.	Manoj Hanuman Position: Senior Manager Electricity	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
74	**Expenditure**	**159. Errors in weighted average calculation** In terms GRAP12: Inventories, the cost of inventories, other than those dealt with in paragraph .33, shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula. The eThekwini municipality's uses a weighted average to value and record inventories on its financial statements. The weighted average is determined and updated every time there is a new purchase of inventory in the financial year. During the audit of accuracy of inventory, it was noted that inventory is not being valued at the weighted average of the last significant purchase before year end and management has been unable to furnish an explanation as to how inventory was valued (for the sample of inventory items we selected and tested) as indicated in the Annexure A below. This error results in a projected understatement of inventory R16million with a corresponding overstatement of materials expenditure.	Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management should review and verify the weighted average calculation of inventory prior to it being reported in the Annual Financial statements so as to ensure the accuracy of the financial information being reported. The current inventory balance should be updated accordingly.	Weighted Average Cost Calculation Disagree We are satisfied that the Average Inventory Cost calculation which the JDE system performs is correct. The municipality uses the "item only cost" for calculating the average inventory price. This means that a change in the price from a purchase in any store or location will re-calculate and amend the average price for every other item in every store and location. In our discussions with the Auditor we discovered that they had been using the last significant purchase price for only one store in their calculations. Inventory cost change transactions (IB transactions) We have established that the primary reason for the difference between the amounts presented in AFS and recalculated amounts are certain IB transactions which were passed, which should not have been. These IB transactions are system driven corrections processed to correct any differences discovered between the inventory valuation on the General Ledger control accounts and the Inventory records. The IB transactions take place at a branch plant level which means that they adjust the total inventory value for the particular store but do not amend the average price of inventory for individual inventory items. Based on our analysis of these IB transactions we	This will be assessed once the adjustments have been processed. Unadjusted differences will be included on the schedule of uncorrected misstatements.	The resulting difference of 68 439.33 requires further analysis of Inventory transactions which will be fully investigated during the 2019/2020 year and corrected through the Inventory system. The root cause will then determine the control to be put in place to prevent non-occurance.	Zama Cele Position: Senior Finance Manager	30-Jun-20
75	**Expenditure:Assets**	**160. Inadequate information contained on the Fixed Assets Register**. Per section 62(1)(b) of the Municipal Finance Management Act, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. During the audit of Property, Plant and Equipment, it was established during the physical verification process that the asset descriptions on the fixed assets register do not contain adequate details. This has resulted in delays as the Ethekwini officials are unable to physically verify the assets in a timely manner as the audit team, in some instances, had to perform the physical verification on more than one occasion for an asset selected for physical verification. An example is as follows:	Management did not perform adequate reviews for the initial recording of assets on the fixed asset register to ensure that the asset description on the fixed assets register contains detailed information pertaining to the assets.	Management should ensure that robust reviews are performed on all additions to the fixed assets register. Management should conduct a review of the fixed assets register to ensure that the information contained on the fixed assets register is valid, accurate and complete.	Finance disagrees with this finding. Attached is the extract from the Sanitation physical verification sample, which sample, was taken directly from the unit's fixed asset register. Further clarity would need to be supplied by the auditor as to what exactly this finding relates to. The 'asset cost object' clearly distinguishes whether the asset component is civil or mechanical in nature thereby assisting with the physical verification process. In addition, the auditor was able to physically verify the Pump Station and its various components.	Management's response has been noted. We identified several instances during our physical verification of assets whereby incorrect descriptions and locations were documented on the Fixed Assets Register. Whilst the assets were verified, this resulted in numerous delays. Therefore, we disagree with managements response and the audit finding will remain.	The asset descriptions in the FAR will be reviewed and amendments will be made if necessary.	Sarah Herd Position: Management Accountant (Projects)	30-Jun-20
76	**ETA**	**61. Delays in the commencement of key capital projects** **Inter-Rapid Public Transport Network (IRPTN)** Go Durban! is the name of the integrated rapid public transport network (IRPTN) that aims to provide a flexible, safe, cost effective, seamless transport experience for the people of eThekwini. Phase 1 of the IRPTN, which is prioritized around four critical corridors including rail, was expected to be completed by 2018.	The accounting officer did not exercise adequate oversight responsibility to ensure that all projects are implemented within the agreed upon timeframes and funds are utilized for its intended purpose to ensure all service delivery deliverables are met.	Management need to ensure all allocated funds are utilized for its intended purpose. Furthermore, management should investigate the number of projects that should have commenced and did not commence across all the departments within the municipality and the reasons for the delay as well as the reasons for the non-utilisation of the allocated funds for both capital and operational projects.	IRPTN The causes of delays in the commencement of Integrated Public Transport Network (IPTN or Go!Durban) capital projects during the 2018/19 financial year fall into three main categories: a. Delays in the supply chain management (SCM) processes, b. Work stoppages or disruptions on site on some of the contracts already awarded, by business forums, communities or minibus-taxi operators, and Contractors in financial distress, and going into either business rescue or liquidation. The solution for contractors in financial distress in not an easy one for the City to formulate because it can only react once the situation is beyond rescue. This may be a matter for the CIDB to Address. In the meantime, some provisions in the SCM policy may need to be considered to deal with these cases. In addition, once the solution to the SCM delays is found, the ETA will be looking to a panel of Contractors to utilize in instances where one fails; • Enhancing its contractor development program to build redundancy, and • Setting up a pipeline to provide a steady stream of contracts to feed the sector.	Management comments are noted and this will be followed up in the next financial year. However, management comments in respect of the electricity projects has not been received to date (27 November 2019).	Following the proposal made by the ETA to restructure Bid Committees, it is encouraging to see that this has now been actioned, two separate Bid Committees have been set up, which will help to speed up procurement processes. With regards to Service Level Agreement with the SCM Unit, although this is not in place yet, there are howvere monthly meetings that are being held, to try and unblock areas of concern. With regards to the redesign of the SCM Business processess, there has not been any movement. This will be followed up with SCM, as it will assist in the accelaration of Projects delivery.	Name: Thami Manyathi Position: Head: ETA	30-Jun-20
77	**CSW**	**62. Solid Waste Management Deficiencies** 197.1 In terms of Section 20 (b) of National Environmental Management: Waste Act No. 59 of 2008, the municipality may not undertake any waste management activity (operation of landfill site) without a waste management license During the audit, it was established that two of the six landfill sites are operating without a license by the Department of Land Affairs and Forestry, as indicated below:	The oversight processes at the municipality were not effective to ensure than there is an approved integrated waste management plan and an environmental policy/strategy and proper monitoring and corrective action is implemented in respect of illegal dumping spots.	a) Management should ensure that all Landfill are licensed with the Department of Land Affairs and Forestry comply with the licence requirements. The progress made to obtain the licences should be monitored by a senior official and reported on monthly until finality is reached. b) Management should also approve their integrated waste management plan and develop and approve an environmental policy/strategy without delay. c) Management should take corrective action to address and eliminate illegal dumping spots	a) Shallcross and Wyebank Garen Refuse site were established prior to the promulgation of the Environmental Conservation Act 1989. Both these sites are more than 30 years old, therefore it was considered that there is no rectification process applicable. Refer to the attached management and edTEA minutes. b) The unit has an existing integrated waste management Plan (IWMP) approved by the MEC in December 2018 and the plan is reviewed on an annual basis. c) The unit has an illegal dumping strategy, all dumping identified are cleared within 72 hours. The unit has seven law enforcement officers assigned to issue fines to those that transgress the Waste Management by-laws. The unit has acquired four TLB's to clear illegal dumping in township. Furthermore, education and awareness programs are aimed at educating communities on proper waste management practices. d) The head Mr. Raymond Rampersad is the appointed waste control officer, however no formal appointment was done. The unit head will submit a report to the head of legal to regularize the necessary	Management comments are noted and the finding has been amended in respect of the approved Integrated Waste Management Plan. The corrective actions to be instituted by management in respect of the other findings will be followed up in the next financial year.	a)The unit has an existing integrated waste management Plan (IWMP) approved by the MEC in December 2018 and the plan is reviewed on an annual basis. b) The unit has an illegal dumping strategy, all dumping identified are cleared within 72 hours. The unit has seven law enforcement officers assigned to issue fines to those that transgress the Waste Management by-laws. The unit has acquired four TLB's to clear illegal dumping in township. Furthermore, education and awareness programs are aimed at educating communities on proper waste management practices. c) The head Mr. Raymond Rampersad is the appointed waste control officer, however no formal appointment was done. The unit head will submit a report to the head of legal to regularize the necessary appointment.	Raymond Rampersad Position: Head: Cleansing and Solid Waste	30-Jun-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
78	**Water and sanitation**	**63. Prior year findings not addressed** Although the under-mentioned matters were raised in the three preceding financial years and management did commit in their action plans to address the audit findings for the 2015-16,2016-17 and 2017-18 financial years, to date (30 June 2019) no corrective action or progress has been identified to address the following audit findings: a. No approve policy / procedures / strategy with regard to: • asset management policy for sanitation infrastructure, • standard operating procedures for water and sanitation infrastructure assets and • maintenance strategy for water and sanitation infrastructure assets. b. Conditional assessments were not done on water and sanitation projects. Furthermore, all remedial actions that should have been implemented based on the conditional assessment conducted in 2010 remained undone. c. The maintenance budget was not informed by maintenance plans for both water and sanitation infrastructure. d. The approved asset management policy on water services was not revised to include the following: • Strategic planning, • Planned maintenance and conditional assessment of water infrastructure (timing of these), • Proactive and routine maintenance planning, • Funding of new water infrastructure and maintenance of existing water infrastructure, • Management information system and	The accounting officer did not exercise adequate oversight to ensure that all audit findings are addressed and corrective action is implemented.	Management should address audit findings through action plans. As part of the action plan, a designated senior official should be assigned this responsibility to be achieved within agreed upon timelines with regular reporting and monitoring measures in place.	Planned Maintenance Budget: 2018/19 Budget R601 million; historically budget was based on the macro percentages increase on the previous financial year's estimates; no consideration is given to the growth in the asset infrastructure to support the service delivery to the customers and the rapid migration of people from rural area to urban areas. The annual tariff increases do not consider the actual cost to deliver the service but more aligned in terms of a basket of services which is affordable to the paying customer. Increase in the roll-out of services to the indigent needs to be supported by a commensurate increase in the equitable to operate and maintain the asset infrastructure. Mainly re-active maintenance is undertaken which exhausts the maintenance budget which restricts any proposed planned maintenance from being undertaken. In-depth maintenance planning, strategies and costing of the maintenance plans would need to be undertaken to consider the impact it would have on the tariffs and affordability. This may require maintenance to be deferred or optimisation of the capital and maintenance budgets with a view to preparing medium term maintenance plans.	Management comments are noted, however cognizance must be taken of the fact that this is a repeat finding for the past three financial years and no corrective action to address the above finding has been implemented. Managements actions to remedy the above finding will be followed up in the next financial year	In-depth maintenance planning, strategies and costing of the maintenance plans would need to be undertaken to consider the impact it would have on the tariffs and affordability. This may require maintenance to be deferred or optimisation of the capital and maintenance budgets with a view to preparing medium term maintenance plans.	Name : Ednick Msweli Position : Head: Water & Sanitation	30-Jun-20
79	**Water and sanitation**	**64. No conditional assessments performed** Condition data is used to determine the need and timing for some routine maintenance and remedial action to prevent loss of service or economic loss. This data is required to give effect to Section 6.12.1(b) of the Standard for an Infrastructure Delivery Management System states that "Custodians shall prepare and update annually an asset management plan covering all infrastructure allocated to their custodianship". Such plan, as a minimum, shall comprise maintenance plans for at least a 15-year horizon or service life of infrastructure based on documented condition assessments which are not more than 5 years old". As mentioned in the finding above, during the current years audit it was noted that conditional assessments could not be performed at 2000 out of 2500 facilities (80 per cent) for the 'above the ground' water and sanitation assets due to the following: • Business process and capacity issues have not been addressed by the municipality. There are currently 456 funded posts and 1641 unfunded posts that need to be filled. • Not all water and sanitation infrastructure have asset or tracking numbers and the municipality is still in the process of tagging / allocating identification numbers to said infrastructure.	The principle of human resource management was not implemented in an effective manner to ensure that adequate and sufficiently skilled human resources are available to conduct conditional assessments of water infrastructure assets.	Management should plan its recruitment needs and take appropriate recruitment action. In going forward, management should also ensure that conditional assessments are conducted every two or five years on all water and sanitation infrastructure by skilled and qualified staff as this will assist in making informed decisions regarding water and sanitation assets and the maintenance of these assets so corrective action can be implemented to avoid any increased replacement costs that might be incurred as a result of a lack of maintenance.	Conditional Assessment: Currently setting up a conditional assessment program for sewer pump stations which will talk to planned maintenance. Routine maintenance is carried out on an adhoc basis as and when resources (plant, equipment labour, funding) are available. There are a number of excel files which are too large to email. In the 2018/19 financial year the civil inspections were done. In the previous year/s the mechanical and electrical components were done. In terms of the Asset Management Policy approved by the Council, conditional inspections must be undertaken at least every five (5) years.	Management comments are noted, the actions to be implemented by management as indicated in their response above will be followed up in the next financial year	Currently setting up a conditional assessment program for sewer pump stations which will talk to planned maintenance. Routine maintenance is carried out on an adhoc basis as and when resources (plant, equipment labour, funding) are available. There are a number of excel files which are too large to email. In the 2018/19 financial year the civil inspections were done. In the previous year/s the mechanical and electrical components were done. In terms of the Asset Management Policy approved by the Council, conditional inspections must be undertaken at least every five (5) years.	Name : Ednick Msweli Position : Head: Water & Sanitation	30-Jun-20
80	**Water and sanitation**	**65. Limitation of Scope** Section 74(1) of the MFMA (Act 56 of 2003) states that " accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required."	The accounting officer has not implemented a proper record management system to facilitate the collection, collation, verification, storing and reporting of information for management decision making purposes and monitoring.	The accounting officer should implement a proper record management system to facilitate the collection, collation, verification, storing and reporting of information for management decision making purposes, monitoring and audit purposes.	Management agrees with the recommendation. The project in question is coming to a close now and, as part of the close out process, most of the required information and documents will be handed over to the municipality from the consultants. However, for the next phase, the AG's recommendations will be implemented.	The progress report as at September 2019 (latest report), does not address all issues raised above. No information has been submitted to date (27 November 2019). The limitation of scope remains. The corrective actions to be implemented by management will be followed up in the next financial year.	The project in question is coming to a close now and, as part of the close out process, most of the required information and documents will be handed over to the municipality from the consultants	Name : Ednick Msweli Position : Head: Water & Sanitation	30-Jun-20
81	**Engineering**	**66. Road Infrastructure - road maintenance project – 1R-16640** An audit was conducted on the Sidiya Highway project (R-16640/20). The project related to surface preparation and treatment of various roads of ward 99 in Craigieburn, Umkomaas and Magabheni suburbs. The project was awarded to Raubex KZN (Pty) Ltd at a contract value of R13 015 742.75. During the audit and site visit conducted on the 1 November 2019 the following was noted: a) Proper monitoring and supervision by the project manager was not in place as various issues relating to the quality of work was not addressed e.g. the finishing of the street as indicated in picture 10 below. b) The maintenance budget did not allow or cater for proper materials to be used e.g. asphalt which is more durable and easy to apply regardless of the climate. Single seal was used and resulted in improper finishes in the road and non-uniformity in the construction of the road: • as some roads were patched with slurry seal as indicated in picture 7, • some roads have no road markings whilst others did as per the picture 6 and 9. • some roads did not have proper signage as indicated in picture 8. c) Proper assessments and investigation of the roads are not conducted due to the following: • the list of planned maintenance is sent out to late to allow for a proper investigation and evaluation of the condition of the road and materials needed, hence the coarse aggregate was generic and not as per the needs of the individual roads. • the department does not have the capacity to evaluate the road infrastructure and relies on conditional assessments done by external service providers. The roads	Critical project management and monitoring was not effectively conducted to ensure work was completed to an acceptable quality and standard.	It is recommended that the municipality should: • Install subsurface drainage system in Camborne Street Widenham to prevent underground water seepage into the road thereby preventing the formation of potholes in the street. • Install signage in all the streets making the roads safer. • Mark all the streets to clearly divide traffic there by giving clear instructions to road users and making the road safer.	This project is related to the surface preparation and treatment of various roads of ward 99 located in Craigeburn, Umkomass and Magabheni suburbs (100 roads). The scope of works entailed patching and crack sealing of the visible defects and the application of either single seal (chip and spray) or slurry seal. The following extract does not attempt to give specific response to the audit findings but rather seeks to provide some facts and further clarity regarding this project. This project was part of the Road Rehabilitation Branch planned resealing programme of various roads within Ethekwini Municipality. The strategy of resealing forms an important role in asset management of the Ethekwini road network. Resealing is the process of creating a new protective layer on top of the existing road. This is constructed by using either "Chip and Spray" (A layer of fresh bitumen sprayed onto the road surface and then uniformly sized stone chips are rolled into this layer) or slurry seal (A fine mixture of stone and bitumen laid on top of existing road surface). It is important to note that resealing the road does	Management comments are noted; this will be followed up in the next financial year.	ETA to respond to road signage and road marking requirements. Roads Provision Department technical staff have indicated that subsurface drainage system is not necessary but will continue to monitor the situation to determine if a stormwater drainage intervention is required.	Gregory Evans Position: Head Engineering	28-Feb-20

No.	Ref	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Auditor's conclusion	Action Plan	Responsibility	Date
82	**Engineering**	**67. Road Infrastructure - prior year audit findings not addressed** Although the under-mentioned matters were raised in the three preceding financial years and management did commit in their action plans to address the audit findings for the 2015-16,2016-17 and 2017-18 financial years, to date (30 June 2019) no corrective action or progress has been identified to address the following audit findings: f. No approved maintenance policy / procedures / strategy with regard to road infrastructure. g. The maintenance budget was not informed by maintenance plans. Incremental budgeting process still being used. h. Actual maintenance done in accordance with the maintenance plan. No monitoring of actual maintenance against planned maintenance. i. Staff capacity and vacancies in the roads provisioning and roads rehabilitation unit not addressed.	The accounting officer did not exercise adequate oversight to ensure that all audit findings are addressed and corrective action is implemented.	Management should address audit findings through action plans. As part of the action plan, a designated senior official should be assigned this responsibility to be achieved within agreed upon timelines with regular reporting and monitoring measures in place.	a. No approved maintenance policy / procedures / strategy with regard to road infrastructure. (Response: ROADS POLICY APPROVED BY COUNCIL in FEB 2019 (see attached decision circular) b. The allocated capital budget for preventative maintenance (road rehabilitation) was not informed by preventative maintenance plans. Incremental budgeting process still being used. (RESPONSE: Capital Budget allocation for preventative maintenance (Road Rehabilitation) is less than is required for to maintain the paved road network in a "good" condition as per the Visual Index Scoring scale. A report to H SI Committee will be submitted by Road Provision Department outlining capital budget allocation required for preventative maintenance of the paved road network over the next ten years as informed by the Pavement Management System strategic analysis. c. Actual preventative maintenance not done in accordance with the maintenance plan. (RESPONSE: Major implementation challenges are being encountered. These included significant procurement delays including several tender appeals. Construction progress has also been severely impeded by interference by Business Forums which resulted in several lengthy work stoppages. Capacity to deliver	Management comments are noted, and the finding has been amended accordingly. The implementation of the actions to be instituted by management as indicated above will be followed up in the next financial year.	Report outling Preventative Maintenance capital budget funding allocation required for 10 year period to be submitted to HS I Committee by 28 February 2019. Staff shortage in the Roads Provision Department to be addressed. Require approval of Roads Provision Department organogram which includes sufficient asset management capacity to manage the city's largest ifrastructure asset. Plans for Routine Road Maintenance are currently being developed	Gregory Evans Position: Head Engineering	30-Jun-20
83	**Water and sanitation**	**5. Ineffective Contract Monitoring – Project Y6525** Section 116(2)(b) of the MFMA states that the accounting officer of a municipality must monitor on a monthly basis the performance of the contractor under the contract or agreement. It was noted that there was no contract monitoring for Project no: Y6525 (provision of ablution services in eThekwini). The information was not provided by the project manager in order to confirm if the ablution blocks were built. It was further noted that payments amounting to R262 million were paid in the period (01 July 2018 – 30 June 2019) as follows:	There was ineffective monitoring of contracts by the respective project managers which has resulted in slow progress on projects and poor quality goods and services identified during site visits.	Management is urged to implement effective project management processes to ensure that value for money is received.	Currently construction supervision for project Y6525 is provided in the form of a Programme Manager (consultant - SMEC) and four other design consultants below the Programme Manager. The consultants certify, on behalf of the municipality, all work done by the contractors and payments are only processed based on this certification. Council staff further oversee the project internally. Management agrees that project management processes need to be further tightened to address the deficiencies identified. One of the root causes for the deficiency identified (i.e. no contract monitoring) is the fact that there were no Clerk of Works allocated to this project to monitor delivery on behalf of the client (the municipality). This will be addressed in the next phase of this programme (Phase 4).	Management comment is noted. The irregular expenditure has been disclosed in the AFS. The finding will remain in the report due to the material non-compliance in terms of S116(2)(b) of the MFMA.	The consultants certify, on behalf of the municipality, all work done by the contractors and payments are only processed based on this certification. Council staff further oversee the project internally. Currently construction supervision for project Y6525 is provided in the form of a Programme Manager (consultant - SMEC) and four other design consultants below the Programme Manager.	Name: Ednick Msweli Position: Head: Water & Sanitation	30-Jun-20
84	**IMU**	**6. Invalid Deviation Contract no: 1I – 34092 – Cognos License** Section 112(2) of the municipal finance and management act 56 of 2003 states that the regulatory framework for municipal supply chain management must be fair, equitable, transparent, competitive and cost effective. Section 36(1)(a)(ii) of the municipal's SCM policy states that the accounting officer may dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations if such goods or services are produced or available from a single provider only. Section 58 of the municipality's SCM policy states that certain procurements are to be treated as special deviations from the SCM process. This covers areas previously treated as 'Finance Payments' and the approved list includes IT software licenses. The following anomalies were noted in the adjudication and award process for contract 1I-34092 for Cognos licenses, which also highlights non- compliance and related irregular expenditure implications that requires the accounting officers' urgent intervention.	Management did not adequately monitor policies and regulations over deviations from the competitive bidding process.	The SCM unit is urged to make a conscientious effort to review the implementation of the current policies and controls over demand management to ensure that the competitive bidding process is followed where practical. The Head of SCM is urged to scrutinize motivations for deviations from normal SCM processes to ensure that deviations from SCM policy are only utilized when valid and compelling reasons exist. All bid documentation should be assessed prior to the award.	The motivation to use section 36(1)(a)(ii) was based on the business case and the recommendation to use COGNOS was based on the fact that COGNOS was already in use at the municipality and the dashboards and reports for HR were developed using COGNOS development licenses. The business case was to procure the additional production licenses in order to roll out the use of the dashboards and reports to the larger user groups. The IMU recommended this also because the Department had resources to provide support and maintenance which would have avoided a duplication of services when a new procurement is undertaken as the support and maintenance is provided in-house rather being out-sourced. Because this was for licenses it therefore fell under the ambit of s58 hence it had to be noted at BAC.	Management comment is noted. When the municipality converted from JDE to Evolution (E1) in 2016 (went live on 1 July 2016 - MSCOA), they did not purchase a new BI tool using E1 but opted to remain on JDE. COGNOS reporting tool never met the municipalities requirements. COGNOS was however used by the budget office. The budget office started using JDE (E1) as a reporting tool in 2017. Thereafter COGNOS was no longer in use. From 2017, the municipality was not using COGNOS. In 2018, the municipality should have gone through a competitive bidding process to identify a new BI tool. Therefore, the auditors conclude this is an invalid use of SCM regulation 36 and therefore non-compliance with SCM regulation 19(a) as a competitive bidding process should have been followed. Audit confirms that payments made as at 30 June 2019 have been disclosed in the AFS as irregular expenditure. Will follow up on consequence management in the 19/20 interim audit.	Action plan outstanding	Name: Robert Dlamini Position: Head: IMU Date: 12/11/2019	

AUDITOR GENERAL FINDINGS
TRACKING OF ACTION PLANS STATUS 2018/2019
As at 08/01/2020

UNIT	RESOLVED	IN PROGRESS	Ongoing	TOTAL
CIIU	-	1	-	1
City Manager's Office	-	3	-	3
Electricity	-	10	-	10
EPWP	-	6	-	6
CSW	-	1	-	1
Expenditure	-	11	-	11
Housing	1	-	-	1
Human Resources	-	10	-	10
IMU	1	3	-	4
Investments	-	1	-	1
Engineering	1	1	-	2
ETA	-	1	-	1
AOPO: CPW	-	2	-	2
Real Estates	-	3	-	3
Revenue	-	1	-	1
Water and sanitation	-	12	-	12
PME	-	1	-	1
SCM	-	14	-	14
TOTAL	**3**	**81**		84