

AUDIT IMPROVEMENT PLAN AND PROGRESS REPORT g-FleeT Management



GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

AUDIT OUTCOME IMPROVEMENT PLAN

FOR THE 2020/2021 FINANCIAL YEAR

1. INTRODUCTION

The Annual Financial Statements of the Entity (g-FleeT Management) were audited by the Auditor General of South Africa, which comprise the statement of financial position, the statement of financial performance, statement of changes in net assets, cash flow statement for the year then ended, as well as the notes comprising a summary of significant accounting policies and other explanatory information.

The regulatory audit revealed significant internal control deficiencies that led to a regressed audit opinion and compliance with laws and regulations. Therefore, this audit outcome improvement plan aims to unpack the Audit Report and Management Report so that adequate, realistic and time-bound action plans are implemented to avoid recurrence of similar audit findings but most important to improve the audit outcome.

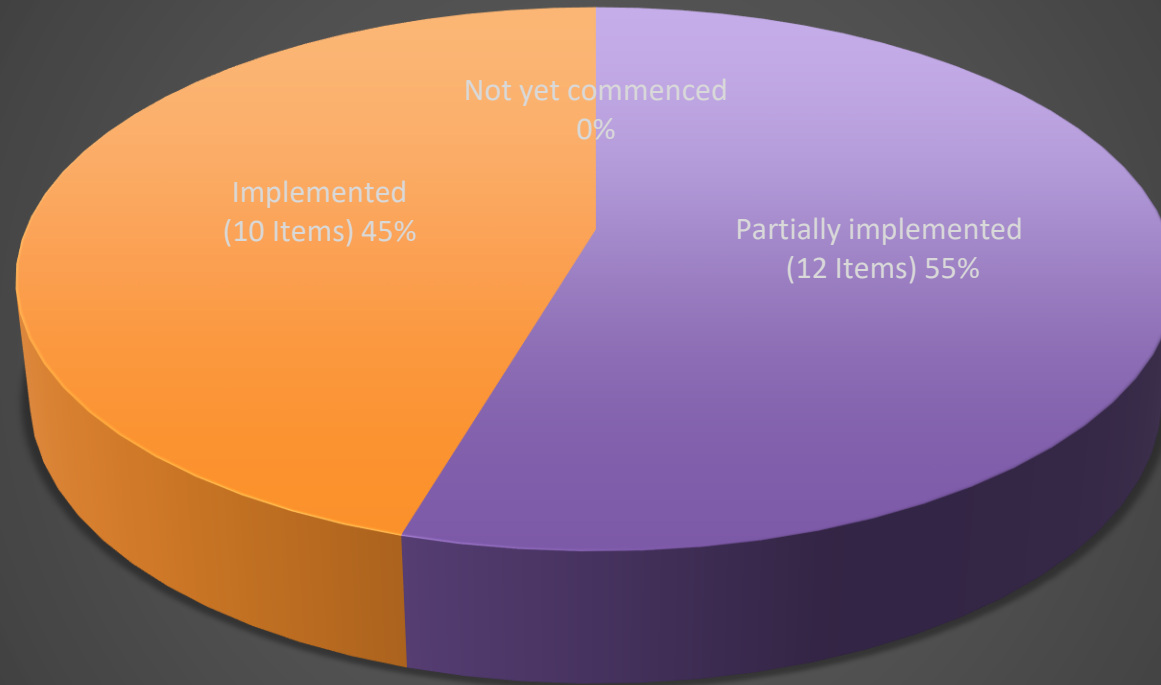
A Clean audit report means the financial statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reported Performance Objectives and non-compliance with legislation.

A clean audit relates to three aspects:

- The Financial Statements are free from material misstatements;
- There are no material findings on the Annual Performance Report;
- There are no material findings on non-compliance with key legislation and internal policies.

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

STATUS OF AUDIT IMPROVEMENT PLAN



■ Not yet commenced ■ Partially implemented ■ Implemented

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

No	Finding	Root cause	Action Plan	Date of implementation	Person/s responsible	Status	Progress as at 15 October 2021
1	Restatement of prior year financial information. The restatement was necessitated by the errors identified during the past and current financial years.	Inadequate capacity to undertake effective daily and monthly preparation and review of all financial reconciliations and reports.	The entity has advertised and is currently of finalising processes leading to the provision of capacity at the level of Deputy Director: Asset Management, Director: Finance. In addition, management will undertake GRAP, PFMA and PPPFA training needs assessment and implementation for all finance staff.	31 December 2021 (Revised date: 31 March 2021)	CEO Acting COO Acting CFO	In progress	A decision to re-advertise all critical posts due address the concerns of organised labour is currently being implemented. However, management notes that this finding will remain in the 2021/2022 financial year due to managements response in addressing the areas of audit qualification emanating from the 2020/2021 audit outcome. The SCM officials in conjunction with GPT have already been assessed for PPPFA (Bid Committee) training which is scheduled for the course of October 2021. A needs analysis template for all other finance officials is currently being developed in conjunction with HR.
2	Overstatement of WIP - Limitation of scope and assets not tested for annual impairment as required by GRAP 21.	Inadequate monthly reviews of financial information to ensure compliance with the required standards of GRAP	Enlist the services of a registered professional engineer to undertaken fair value assessments on the affected buildings which would guide the extent and magnitude of any impairment. Furthermore, management is undertaking a review of the entity's asset management policy and related SOP to incorporate elements to guide managements approach in undertaking annual testing for impairments as required by GRAP 21.	Completed 31 December 2021	CEO Acting CFO Acting CFO	Completed In progress	The fair value assessment report from the professional registered engineer has been completed and the related impairment loss has been quantified. Management has prepared and submitted a formal request to the AGSA to consider the proposed management adjustments as part of the SORR prior to the actual 2021/2022 audit process. The review process has already commenced in conjunction with the asset management team.

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

No	Finding	Root cause	Action Plan	Date of implementation	Person/s responsible	Status	Progress as at 15 October 2021
3	Overstatement of Motor Vehicles as vehicles designated as "awaiting disposal" included in property plant and equipment thereby understating inventory with an unknown amount.	Inadequate monthly reviews of financial information to ensure compliance with the required standards of GRAP	Undertake a complete review of the Motor Vehicle asset register and reallocate all motor vehicles awaiting disposal to the inventory register at NRV. Furthermore, management is undertaking a review of the entity's asset and inventory management policy and related SOP's to incorporate elements to guide managements approach in correctly accounting for motor vehicles assessed for disposal purposes.	Completed 31 December 2021	CEO Acting CFO Acting CFO	Completed In progress	The review and reallocation process has been completed and the related correcting journals identified. Management has prepared and submitted a formal request to the AGSA to consider the proposed management adjustments as part of the SORR prior to the actual 2021/2022 audit process. The review process has already commenced in conjunction with the asset management team.
4	Target not well defined: Minimum of 30% of Procurement spent on goods and services, and construction allocated to township businesses	Inadequate target setting through not well defined TDI's.	Management will engage through Monitoring and evaluation and the Office of the Premier on refining the target to ensure a well defined TDI. This adjustment will be incorporated in a revised APP.	Completed	Acting COO Acting CFO	Completed	The engagement with OoP, GDRT and Management has taken place on 14 September 2021. A revised APP has been prepared and submitted to approval incorporating the agreed upon adjustments.
5	Material misstatements were identified in the annual performance report submitted for auditing.	Inadequate daily and monthly reviews of predetermined objective achievements to ensure valid, accurate and complete reporting of predetermined objectives	Management to review technical indicators to ensure information on calculations is clearly defined (re-look at calculation formulas)	Completed	Acting COO	Completed	Technical Indicator Descriptions revised to align it with performance information available. APP updated accordingly.

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

No	Finding	Root cause	Action Plan	Date of implementation	Person/s responsible	Status	Progress as at 15 October 2021
6	Invoices paid after 30 days	Inadequate daily and monthly tracking of invoices to ensure timeous payment thereof.	Management is undertaking a review of the current payment system and SOP's with the aim of automating all payment processes. The introduction of a daily invoice tracker aligned to the electronic e-invoicing system will be introduced.	31 December 2021	Acting CFO	In progress	The invoice tracker aligned to the EIS system has been developed and is currently being workshopped with staff for implementation.
7	Ditibane Investment (DBI) contract not adequately disclosed in the Annual Financial Statements	Inadequate monthly reviews of financial information to ensure compliance with the required standards of GRAP	Management will undertake a review of the DBI contract and the related legal implications in conjunction with GDRT legal services to identify and implement the impact on the financial statements.	31 December 2021	CEO Acting COO Acting CFO	In progress	Management has already undertaken an analysis and proposed response to this matter. The response is now being assessed by Acting CFO and Acting COO in conjunction with legal services.
8	Misstatements and inadequate information within the entity's asset register	Inadequate asset register maintenance	Management will undertake a review of the entity's assets register to identify discrepancies and alignment to GRAP 17, NT guidelines and best practices.	20 January 2021	Acting CFO	In progress	The review process commenced on 01 October 2021 and is still in progress.

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

No	Finding	Root cause	Action Plan	Date of implementation	Person/s responsible	Status	Progress as at 15 October 2021
9	Quality of annual financial statements	Inadequate daily and monthly preparation and review of all financial reconciliations and reports emanating from lack of resources and capacity.	<p>The entity has advertised and is currently of finalising processes leading to the provision of capacity at the level of Deputy Director: Asset Management, Director: Finance.</p> <p>In addition, management will commence with the preparation of monthly financial statements which would facilitate early reviews thereby allowing for an improvement in the quality of financial statements which is aligned to GRAP.</p>	<p>31 December 2021</p> <p>31 January 2022</p>	<p>CEO Acting COO Acting CFO</p> <p>Acting CFO</p>	In progress	<p>The post of Director: Finance will have to be re-advertised as the recommended candidate has taken up another job offer. A memorandum for the appointment of an Acting Director: Finance has been prepared and submitted for Acting HOD approval. The post of Deputy Director: Asset Management is currently being assessed with DRT: HR for progress.</p> <p>Management is targeting the 3rd quarter financial statements as a basis to commence with the process of preparing monthly financial statements.</p>
10	Misstatements identified within contingent liabilities	Inadequate monthly reviews of financial information to ensure compliance with the required standards of GRAP	Management will institute monthly engagements and reviews with legal services around all litigation matters to ensure accurate accounting thereof.	30 November 2021	Acting COO Acting CFO	In progress	The litigation schedule has been reviewed and adjusted by Finance as part of the 2020/2021 audit process. Senior Management has already commenced with a further review in line with legal services and agreed on the monthly engagements and written confirmations.

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

No	Finding	Root cause	Action Plan	Date of implementation	Person/s responsible	Status	Progress as at 15 October 2021
11	Irregular expenditure incurred	Inadequate daily and monthly reviews of compliance to laws and regulation during the undertaking of procurement processes	<p>Management will undertake a review of the SCM SOP to ensure alignment to legislation. Linked to the reviewed SOP, officials undergo SCM training and development.</p> <p>A formal circular linked to the reviewed SOP and the implementation of consequence management will be prepared and issued to all staff. The entity's contract register will be reviewed and all new contracts will be loaded onto SAP for tracking, monitoring and reporting purposes.</p>	30 November 2021	CEO Acting CFO	Completed	A draft revised SCM SOP has been prepared and has been routed for approval and implementation.
12	Fruitless and wasteful expenditure including the prior period challenge around alleged duplicate payment.	Inadequate daily and monthly reviews of reconciliations and tracking of invoices to ensure timeous payment of all valid supplier invoices.	<p>Management is undertaking a review of the current payment system and SOP's with the aim of automating all payment processes. The introduction of a daily invoice tracker aligned to the electronic e-invoicing system will be introduced.</p> <p>Management must finalise a report taking into consideration the preliminary analysis done with the Office of the PAG and GAS in relation to the alleged duplicate payments totalling approximately R27 million.</p>	<p>31 December 2021</p> <p>31 November 2021</p>	<p>Acting CFO</p> <p>Acting CFO</p>	<p>In progress</p> <p>In progress</p>	<p>The invoice tracker aligned to the EIS system has been developed and is currently being workshopped with staff for implementation.</p> <p>An engagement with PAG, AGSA and Management took place on the 27th October 2021. The AGSA was requested to provide additional information on the further areas of dispute for the PAG's office to consider and assess on the way forward.</p>

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

No	Finding	Root cause	Action Plan	Date of implementation	Person/s responsible	Status	Progress as at 15 October 2021
13	Lack of IT strategy	The entity does not have the required staff members internally that could perform the function of developing and maintain the IT strategy.	SITA completed and submitted the ICT strategy in March 2021	Completed, March 2021	Office of the COO	Completed	Complete
14	Lack of risk committee meetings	There was no Risk Management Champion appointed	Chairperson of the Risk Committee appointed	First Quarter of 2021	Office of the COO	Completed	First meeting held in quarter 1
15	Inadequate IT staff	There were delays from human resources department in establishing a process to identify the skills required by the IT personal to provide the best support to the entity.	4 ICT posts have been advertised in 27 November 2020.	31 December 2021 (Revised date: 31 March 2022)	Office of the COO	In progress	4 ICT posts have been advertised in 27 November 2020. CV's submitted to Chairpersons of the Committee. However, there is an ongoing engagement with organised labour whether to continue with the recruitment process. They have raised a number of issues that the entity has responded to such as online applications not catering for all etc.
16	Inadequate IT staff training	There is delays from human resources department in establishing a process to identify the skills required by the IT personal to provide the best support to the entity.	Identity training needs in line with performance contracts	31 December 2021	Office of the COO	In progress	Human Resources to align required training to skills required in the performance contracts of the ITCT staff.
17	Inadequate IT SLA with GDRT	There was no involvement from the entities business to drive the process in having the Service Level Agreement established between G-Fleet and the Gauteng Department of Roads and Transport.	SLA with DRT has been completed and signed off.	8 May 2021	Office of the COO	Completed	Complete
18	Inadequate Security Management Policy	There is a lack of proper understanding by the Gauteng department of Roads and Transport who has adopted the e-Government user access management policy that the G-Fleet entity users, as to what needs to be in the policy as the e-Government policy states what the entities and departments need in their own policies that they develop.	DRT and g-FleeT developed a user account management procedure in line with the GPG user management policy. All aspects that were raised as findings are addressed within the approved procedure manual.	28 Mar 2021	Office of the COO	Completed	Complete

STATUS IMPLEMENTATION OF AUDIT IMPROVEMENT PLAN

No	Finding	Root cause	Action Plan	Date of implementation	Person/s responsible	Status	Progress as at 15 October 2021
19	Inadequately documented user access management policy	There is a lack of proper understanding by the Gauteng department of roads and transport who has adopted the e-Government user access management policy that the G-Fleet entity users, as to what needs to be in the policy as the e-Government policy states what the entities and departments need in their own policies that they develop.	DRT and g-Fleet developed a user account management procedure in line with the GPG user management policy. All aspects that were raised as findings are addressed within the approved procedure manual.	28 Mar 2021	Office of the COO	Completed	Complete
20	Programme change procedure document not in place	The system was not configured to record changes implemented on the system. This aspect was not considered when the system was implemented.	EGOV has been appointed to develop the new fleet system for the g-Fleet. The development of this new system will address the issue of logs tracing.	2021 to 2023	Office of the COO	In progress	EGOV has commenced with the user requirements processes mid-September 2021. The rollout of the system will take place in modular approaches. For the current F/Y - 2021/2022, two modules are planned to be developed, and installed.
21	Inadequately documented backup policy	Management did not cover all the key areas for disaster recovery when negotiating the service level agreement with the service provider.	New SLA for GPG between eGOV and SITA which covers the aspects of DR has been completed and signed off.	8 Jul 2021	Office of the COO	Completed	Complete
22	Inadequately documented disaster recovery SLA	Management did not cover all the key areas for disaster recovery when negotiating the service level agreement with the service provider.	New SLA between eGOV and SITA which covers the aspects of DR has been completed and signed off.	8 Jul 2021	Office of the COO	Completed	Complete

THANK YOU!



GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together