Web Enabled Audit Action Plan System

1. Introduction

Section 131 of the MFMA requires that a municipality must address any issues raised by the Auditor-General in an audit report. This includes the parent municipality and municipal entities.

We have noted over the years that the audit action plans developed by municipalities and municipal entities are compiled using various tools and applications. A number of action plans do not contain key details or information in support of effective implementation.

The effectiveness of an Audit Action Plan is measured through the successful implementation of timely and appropriate actions, must prevent a recurrence of the audit findings in subsequent audits and translate into an improvement in the audit opinion.

The desired outcome has not always materialised in the past, due to a number of factors, such as:

- Inadequate planning and late compilation of the action plan.

- Different formats of the Audit Action Plans, which were inconsistent in content and form, difficult to monitor and report on progress at municipality, municipal entities, provincial and national departments.

- Inadequate monitoring of the implementation of the action plans by senior officials at the municipality and municipal entities.

- Provincial / National Treasury only becoming aware of challenges when it is too late to render assistance or support.

- Lack of skills/knowledge of those tasked with drafting the audit action plan with regards to the necessary actions that must be taken to address the finding.

- The same unsuccessful planned actions are proposed for recurring findings.

- Lack of assigned responsibility and accountability.

The COVID-19 pandemic and ensuing changes in the work environment has offered us an opportunity to address the challenges differently.

In line with the pro-active, hands-on approach in assisting municipalities and municipal entities, we have harnessed the advantages of technology to not only increase efficiency in municipal reporting, but also to accelerate the provision of real time

assistance to municipalities across the country, through the introduction of the **web-enabled audit action plan system**.

The web-enabled audit action plan will serve to address the gaps identified through the audit process in the following ways:

- The **standardised format** ensures that all necessary information is included in the audit action plan.

- An **approval process is embedded** in the system that incorporates management, the CFO, Internal Audit, Audit Committee, and the Municipal Manager.

- It allows for **multiple users to access and work** on the audit action plan **at the same time.**

- It provides for **e-mail alerts** once sections are completed, and supports efforts of National and Provincial Treasuries to provide support, advice, comments and recommendations.

- In-year and ongoing progress in implementation of the audit action plan can therefore be monitored in real time by all users through all stages. The **progress tracking** is done through the audit action plan Dashboards which track the resolution of the number of audit findings and users are able to extract reports on progress to address identified internal control deficiencies.

- **Quality assurance** is also ensured as internal audit units are required to confirm that the resolution of the findings was adequate, before an action plan status can change to "Complete".

- The need to **report separately to different stakeholders** is obviated as treasury officials have access to real time information.

The web-enabled online Audit Action Plans will ensure more effective and rigorous engagement between Provincial and National departments and municipalities contributing towards ongoing improvements in audit outcomes.

The web-enabled Audit Action Plan forms part of the online application which also includes an enhanced online Financial Management Capability Maturity Model (FMCMM) which incorporates Financial Ratios. Improvements in a municipality's FMCMM scoring is likely to lead to better audit outcomes and the use of the Audit Action Plan will further reinforce this.

The FMCMM and Audit Action Plan application requires no financial outlay from municipalities other than access to the internet on standard browsers and no download of software is required.

2. Audit action plans – accountability for public funds

The online system will give users the ability to develop an action plan to resolve audit outcomes and track progress towards improvements. The Auditor-General's audit and management reports are the main drivers for the population of the audit action plan, which will follow an **approval process** involving key stakeholders from the CFO, Internal Auditor, Audit Committee, and Council.

In addition, repeat findings and prior year proposed solutions are identifiable for special attention by stakeholders to expedite interventions when and where needed, both at the planned action phase, as well as at the implementation phase.

The system also stores past audit action plans, and this accumulation of knowledge would enable users to trace actions taken in previous years, and follow-up on corrective actions relating to prior year findings which have failed to adequately address and resolve the finding. In so doing, the system will assist in the identification of root causes of repeat findings so that appropriate actions may be introduced that will effectively resolve these findings.

Dashboards provide high level overviews of **trends and progress in implementing the audit action plan**. The main dashboard is shown below.
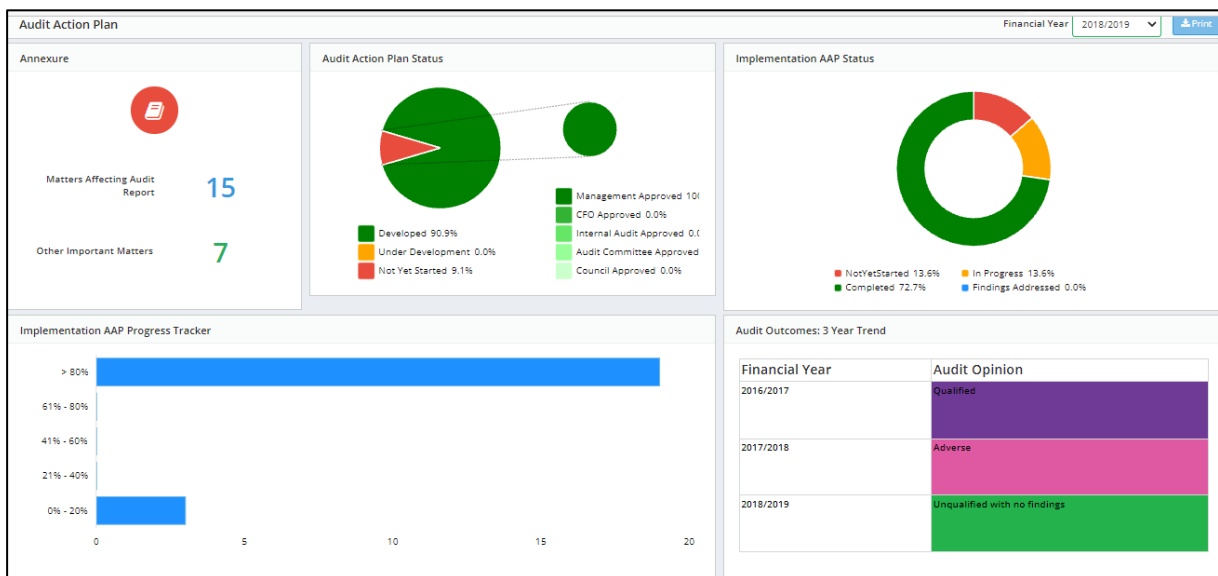
The same dashboard also indicates **areas of weakness and repeat** or recurring findings.
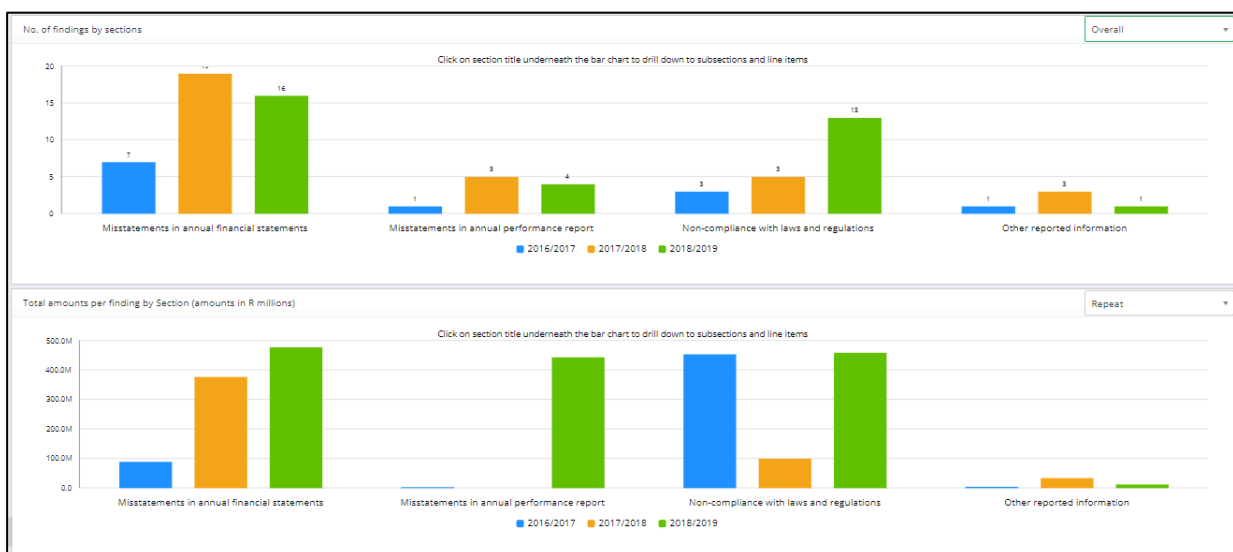
The drill-down functionality allows the user to further identify the exact line items in the financial statements that the findings relate to.

The following dashboards provide management and treasuries with an overview of the status of the implementation of the audit action plan:

Audit Action Plans   + Add Action Plan

Summary   Matters Affecting Audit Report   Matters Affecting Management Report

Financial Year: 2019/2020

Audit Action Plan	No of Findings		
	Matters Affecting Audit Report	Matters Affecting Management Report	Total
Not Yet Started	4	0	4
Under Development	0	0	0
Developed - Management Approved	0	0	0
Developed - CFO Approved	0	0	0
Developed - Internal Auditor Approved	0	0	0
Developed - Audit Committee Approved	0	0	0
Developed - Council Approved	0	0	0
Total	4	0	4

Implementation	No of Findings		
	Matters Affecting Audit Report	Matters Affecting Management Report	Total
Not Yet Started	4	0	4
In Progress	0	0	0
Completed	0	0	0
Agreed Findings Addressed	0	0	0
Total	4	0	4
Findings also addressed in current year	0	0	0

Stagnant or slow-moving findings are easily identifiable from the dashboard below:

Audit Action Plans   + Add Action Plan

Summary   Matters Affecting Audit Report   Other Important Matters

Audit Opinion: Select Option   Financial Year: 2020/2021

Audit Action Plan Status: All   Implementation Status: × Not Yet Started × In Progress × Completed × Agreed Findings Addressed

Date Created: dd MM yyyy   Due Date From: dd MM yyyy   Due Date Till: dd MM yyyy   Filter / Download

Reference	Section	Subsection	Line Item	Finding	Remedial Action Taken	Action Plan Status	Repeat Finding	Progress	Implementation Status	Responsible Person	Due Date	Completed Date	Action
AAP158-2021	Misstateme..	Long term ..	Long-term ..	79. ISS.12..	gggg	Under Development	No	100%	Completed	Director Financial Reporting	22 Jul 2021	11 Oct 2021	
AAP177-2021	Misstateme..	Short term..	Short-term..	8. ISS.91-..	null	Not Yet Started	No	0%	Not Yet Started	Midvaal CFO	22 Jul 2021		
AAP178-2021	Misstateme..	Short term..	Short-term..	10. ISS.11..	null	Not Yet Started	No	0%	Not Yet Started	Financial Manager	08 Oct 2021		

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The system also **allows for changes,** updates and access rights are restricted to the responsibility of the various users.

The **upload of essential documents**, such as Council approvals, is also catered for on the system.

The web-enabled audit action plan **promotes accountability** for the resolution of audit findings in that action plans are allocated to specific individuals within the organisation and compliance in implementation of solutions may be monitored. It also permits users to submit comments and immediate feedback may be obtained where challenges are encountered.

The reporting functionality of the system supports improved decision making by working collaboratively with managers so that they actively report **real time information** and evidence where recommendations have been addressed and this will help reduce the amount of time and effort needed to follow-up. The filter mechanism allows a selection of reported information to be extracted such that only relevant information is included in reports destined for use by the various oversight structures, such as Council, MPAC and Audit Committees.

The combined risks of late submission and incorrect versions of the audit action plan being submitted for review is eliminated.

Active use of the system will help municipalities move away from a cycle of unfavourable audit outcomes and repeat findings.

Several municipalities and municipal entities of differing categories and locations were selected to test the system from an end-user perspective during the piloting phase. The piloting phase of the web-enabled audit action plan system took place between August 2021 and December 2021 at two (2) metros, two (2) district municipalities, two (2) local municipalities as well as twelve municipal entities.

The web-enabled FMCMM and Audit Action plan is accessible through the following URL link: https://fmcmmaap.treasury.gov.za/

In addition, help in completing the online FMCMM and Audit Action plan is available from:

1. Frequently Asked Questions (located under 'HELP' in the system);
2. A detailed User Guide (located under 'HELP' in the system); or
3. By logging an enquiry ticket via the Helpdesk (located under 'HELP' in the system).

3. Assistance with the web-enabled system

If municipalities and municipal entities require further assistance with the web-enabled system, in addition to the help function built into the system, the following officials from Provincial Treasuries and National Treasury can be contacted.

Province	Responsible official	Cell. No.	E-mail address
Eastern Cape	Nkosinathi Ngwenya	083 746 2216	Nkosinathi.Ngwenya@ectreasury.gov.za
Free State	Lebogang Moduane	083 389 1778	lmoduane@treasury.fs.gov.za
Gauteng	Ntuboy Mokhethi	073 181 6585	ntuboy.mokhethi@gauteng.gov.za
KwaZulu-Natal	Phehello Moloi	072 422 0881	phehello.moloi@kzntreasury.gov.za
Limpopo	Nthabiseng Mbungela	079 894 7714	mbungelann@treasury.limpopo.gov.za
Mpumalanga	Shadrack Masombuka	082 901 7209	smasombuka@mpg.gov.za
Northern Cape	Michael Matthee	081 488 0939	mmatthee@ncpg.gov.za
North West	Kulani Chauke	081 312 5097	kulanichauke@nwpg.gov.za
Western Cape	Faez Salie	021 483 4252	Faez.Salie@westerncape.gov.za
National Treasury Audit Action Plan Helpdesk			
fmcmm.aap@treasury.gov.za			

4. Conclusion

The web-enabled audit action plan links to priorities to improve audit outcomes, encompasses all areas of the municipality and municipal entity that have specific responsibilities in resolving audit findings, will inform training and capacitation plans, and strengthen the role of the Internal Audit and Audit Committee when performing assurance checks.

Through the introduction of the web-enabled audit action plan, municipalities and municipal entities will be assisted to move from crisis, through recovery, to sustained improvement in audit outcomes.

This Circular is to be brought to the attention of municipal Councils, Board of Directors of municipal entities and the relevant oversight structures, such as Finance Committees, Audit Committees as well as Municipal Public Accounts Committees.

Contact

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