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ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDING 30 JUNE 2023

The Audit Committee (Committee) has pleasure in submitting to Council its report, as required by section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. AUDIT COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Committee is governed by formal terms of reference (Charter), which is reviewed annually. The Committee fulfils its responsibilities in terms of its Charter as well as Section 166 of the MFMA. The Committee has an independent role with accountability to both the Council and the stakeholders. It does not assume the functions of management, which remain the responsibility of the Executive Mayor, the Municipal Manager, and the management. The Committee acts in an advisory and oversight capacity and makes objective and independent recommendations to Council on internal control, risk management and governance processes with the aim of assisting the municipality in achieving its objectives; it does not relieve management of its responsibilities.

2. COMPOSITION OF THE COMMITTEE

2.1 During the first half of the financial year (1 July 2022 to 31 January 2023), the Committee consisted of three independent external members with appropriate qualifications and experience who were duly appointed by Council. The Chairperson tenure came to an end on 31 January 2023 while the other member also resigned from the Committee with effect from 31 January 2023. Vacant positions were advertised, and interviews held on 10 January 2023. Council appointed three Committee members with effect from 1 February 2023; therefore, there was no break in continuity.

2.2 The composition of the Committee, from 1 July 2022 to 31 January 2023, was as follows:

- a) Mr. P Strauss (Chairperson)
- b) Mrs. L Stevens
- c) Mr. N Vumazonke
- d) Vacant

2.3 The composition of the Committee, from 1 February 2023 to 30 June 2023, was as follows:

- a) Mrs. L Stevens (Chairperson)
- b) Mrs. Z Abrahams
- c) Mr. J Gourrah
- d) Mr. B Vink

3. REMUNERATION OF THE COMMITTEE MEMBERS

The Committee was remunerated in terms of the National Treasury guide on the Remuneration of non-official Members: Commissions, Committees of Inquiry and Audit Committees issued on an annual basis.

4. FREQUENCY OF MEETINGS OF THE COMMITTEE

a. To date the Committee had meetings on the following dates:

Date of meeting	Mr. P Straus	Mr. N Vumazonke	Mrs. L Stevens	Mr. B Vink	Mrs. Z Abraham	Mr. J Gourrah	Reason for meeting
25 July 2022	√	√	√	-	-	-	Quarterly Committee meeting
29 August 2022	√	√	√	-	-	-	Consideration of draft 2021/22 financial statements
5 October 2022	√	√	√	-	-	-	Discussion of the Auditor-General's audit strategy
26 October 2022	√	√	√	-	-	-	Quarterly Committee meeting
10 January 2023	√	√	√	-	-	-	Interview of shortlisted candidates for the vacant Audit Committee positions
27 January 2023	√	√	√	-	-	-	Quarterly Committee meeting
24 April 2023	-	-	√	√	√	√	Quarterly Committee meeting
23 June 2023	-	-	√	√	√	√	Special Committee Meeting

b. The Committee is satisfied that it has fulfilled its obligations in this regard.

5. FUNCTIONS OF THE AUDIT COMMITTEE

- a. The Committee has discharged its functions in terms of section 166 of the Act by evaluating and advising the Council, political office-bearers, accounting officer and management on the following items:
 - i. Quarterly reports on the functions and recommendations of the Committee to Council.
 - ii. Annual review of the Audit Committee Charter.
 - iii. Action Plan (OPCAR) to address the Auditor-General findings for 2021/22 including implementation, monitoring, and progress thereof.
 - iv. Effectiveness of internal controls and governance processes implemented to address control risks.
 - v. Alignment of senior management performance agreements with the Integrated Development Plan (IDP), budget and Service Delivery and Budget Implementation Plan (SDBIP).
 - vi. Performance evaluation process of the Municipal Manager and the Directors.
 - vii. The progress made with the implementation of the Internal Audit Risk Based Audit Plan for 2022/23.
 - viii. Progress made with the implementation of internal audit recommendations to address the deficiencies identified during internal audits.
 - ix. Risk management, functions of the Fraud and Risk Management Committee (FARMCO), minutes and feedback from that Committee as well as the associated mitigating controls, emerging risks, and fraud and corruption.
 - x. Information and Communication Technology (ICT) matters affecting the municipality including the ICT risks.
 - xi. Review of the municipality's financial controls through the quarterly section 52 reports as well as SCM deviations.
 - xii. Various financial matters including the rehabilitation of landfill sites, inter-governmental debt, VAT payable on library grants.
- b. The Committee also reviewed the following matters:
 - i. Draft Annual Financial Statements as at 30 June 2023 for accuracy, reliability and completeness.
 - ii. The Auditor-General's audit strategy for the 2021/22 financial year audit.
 - iii. The Auditor-General's report for 2021/22 on the annual financial statements as well as compliance with applicable laws and regulations and achievement of predetermined objectives for that financial year.
- c. The Committee further reviewed the functions of the Internal Audit Function, including the following items:
 - i. Internal Audit reports issued during the financial year.
 - ii. Risk-Based Audit Plan for 2022/23 including the risk areas of the municipality's operations covered in the scope of internal audits as well as Auditor-General.

- iii. Independence and objectivity of the Internal Audit Function in execution of its duties.
- iv. Annual review of the Internal Audit Charter.
- v. Progress made with the implementation of external quality assessment corrective actions.

6. AREAS OF SATISFACTION AND CONCERNS

a. Satisfaction

The Committee would like to express its satisfaction on the following issues:

- i. The good working relations between the municipality and the office of the Auditor-General.
- ii. The municipality's response to the recent floods and the assistance provided to those affected.
- iii. Efforts made to reduce municipal water and electricity losses.
- iv. Support given to the Committee by Council and management.
- v. The efforts and commitments displayed by management and staff and keeping the municipal services and functions running.
- vi. Progress made with the implementation of the annual internal audit plan for 2022/23.
- vii. Functioning of the ICT section.
- viii. Pro-active engagements with the Auditor-General, progress made with the preparation of the audit file of the Annual Financial Statement for 2022/23.
- ix. The continued high debt recovery rate.

b. Concerns

However, the Committee does have concerns on the following issues:

- i. The lack of directive from SARS regarding VAT payable on the library grants.
- ii. Increased cyber security risk for the municipal network, and the low number of officials participating in the online cyber security training.
- iii. The financial implications associated with non-extension of the Bredasdorp landfill site life cycle.
- iv. The pace with which traffic services department is working to get the service provider for traffic offences.
- v. The effects of continuous loadshedding on service deliver infrastructure, revenue collection and cost increase.

7. REVIEW OF INTERNAL AUDIT REPORTS

The following internal audit reports were submitted to and reviewed by the Committee during 2022/23 financial year:

- | | |
|------------------------------------------|---------------------------------------------|
| i. Debt collection and credit control | x. Property Valuation |
| ii. Fuel consumption | xi. Risk Management |
| iii. Division of Revenue (DoRA) | xii. Top-layer SDBIP for 2022/23 – Q1 to Q4 |
| iv. Compliance with laws and regulations | xiii. Follow-up – Masakhane |
| v. Expenditure Journals | xiv. Follow-up – Controls over stock issued |
| vi. ICT Governance | xv. Follow-up – Essential Motor Scheme |
| vii. Municipal Property Management | |
| viii. Occupational Health and Safety | |
| ix. Overtime Management | |

The results of the reports were referred to the Municipal Manager for further action where required.

8. CONCLUSION

The Committee would, once again, like to congratulate the municipality on the audit outcome achieved for the 2021/22 financial year audit and the commitment of management and staff in this regard.



L Stevens

**Chairperson
31 July 2023**