



**SWELLENDAM MUNICIPALITY**  
**3<sup>rd</sup> QUARTER REPORT OF THE AUDIT- AND PERFORMANCE**  
**AUDIT COMMITTEE FOR THE 2022/2023 FY**



We are pleased to present our report for the Swellendam Municipality for the 3<sup>rd</sup> quarter of the 2022/2023 financial year.

**1. Introduction**

Section 166 of the Municipal Finance Management Act No. 56 of 2003, requires every Municipality to establish and maintain an audit committee, as an independent appraisal function. Experience has shown that a properly constituted Audit Committee can make an effective and valuable contribution to the process by which an organization is directed and controlled.

The Swellendam Audit committee is well-established and functioning as required. All the members of the Audit Committee are also members of the Performance Audit Committee. The Audit- and Performance Audit Committee (APAC) met once during the 3<sup>rd</sup> quarter of the 2022/2023 financial year on 23 February 2023.

**2. Audit- and Performance Audit Committee Members and Attendance of 3<sup>rd</sup> Quarter Meeting:**

<b>Members</b>	<b>Capacity</b>	<b>Meeting Attended</b>
Mr. A. Dippenaar	Chairperson	23 February 2023
Adv. N. Hendricks	Member	23 February 2023
Mr. R. Rhoda	Member	23 February 2023
Mr. P. Silbernagl	Member	23 February 2023

**The above-mentioned meeting was well attended by the Municipal Manager, Chief Financial Officer, and Directors.**

**3. Summary of the Work Performed by the Internal Audit Unit**

The following strategic Internal Audit documents were approved by the Committee:

- Quality Assurance and Improvement Program – Progress Report
- 2022/2023 Combined Assurance Model

The following audits were conducted and the reports were presented to the Committee:

- 2<sup>nd</sup> Quarter Internal Audit Follow-Up Report
- 2022/2023 1<sup>st</sup> Quarter Performance Management (SDBIP) Review
- 2022/2023 2<sup>nd</sup> Quarter Performance Management (SDBIP) Review
- 2022/2023 Revenue Review: Sundry Income

Progress on the implementation of the approved 2022/2023 Risk-Based Internal Audit Plan was also duly reported to the committee, and the committee believes that the Internal Audit function has been effective in carrying out its function in the municipality. The committee is however concerned with regard to the capacity constraints faced by internal audit.

The committee also expresses their appreciation to the Internal Audit Office for the work done and is satisfied with the current operation of the activity. The committee is also satisfied with the organizational independence of the Internal Audit Activity.

#### **4. Quality Assurance**

At its meeting held, the committee approved the Quality Assurance & Improvement Programme (QAIP) for the 3<sup>rd</sup> Quarter of the 2022/2023 financial year. The QAIP report highlights the Internal Audit quality assurance activities that the IAA is performing in order to ensure compliance with the Internal Professional Practices Framework (IPPF) for Internal Audit. The committee also reviewed the progress on the External Quality Assessment Action Plan. The committee is satisfied with the quality improvement processes of the internal audit activity.

#### **5. Internal Control Systems**

Internal control is the system of controls and directives that are designed to provide cost-effective assurance that assets are safeguarded, that liabilities and working capital are efficiently managed and that the municipality fulfills its mandate, in compliance with all relevant statutory and governance duties and requirements.

The committee has reviewed the reports presented to it by the Internal Audit Office. Based on these reports the committee believes that significant internal controls are in place, however, certain control deficiencies have been identified. The committee will monitor the progress made by Management towards the improvement of their internal control environment.

#### **6. Risk Management/ Combined Assurance**

At its meeting held, the Internal Audit Unit provided the committee with an update on the activities of Risk Management for the municipality. The committee also reviewed the following risk-related documents:

- 2022/2023 2<sup>nd</sup> Quarter Fraud & Risk Management Committee (FARMCO) Chairperson's Report;
- Risk Register; and
- Minutes of the FARMCO meeting held on 16 February 2023.
- 2<sup>nd</sup> Quarter Risk Action Report

The committee also approved the Combined Assurance Plan for the 3<sup>rd</sup> Quarter of the 2022/2023 financial year. The committee is satisfied with the current assurance provided on the top risks of the municipality.

The committee is also satisfied with the progress made with the implementation of risk management within the municipality. The committee believes that the high-risk areas of the organization are covered in the scope of internal and external audits.

#### **7. Performance Management**

In terms of Section 14(4) (a) of the Regulations the Performance Audit Committee has the responsibility to –

- i) review the quarterly reports produced and submitted by the internal audit process;
- ii) review the municipality's performance management system and make recommendations in this regard to the council of the municipality; and
- iii) at least twice during each financial year submit a performance audit report to the council of the municipality.

At its meeting held, the committee reviewed the 2022/2023 2<sup>nd</sup> Quarter Section 52 Report inclusive of the Service Delivery and Budget Implementation Plan (SDBIP). Based on the discussions and assurances obtained, the committee is satisfied with the Performance Management Processes of the municipality.

#### **8. Accounting/ Financial Information**

At its meeting held, the committee reviewed the Section 71 report for December 2022; the 2<sup>nd</sup> Quarter SCM Implementation Report as well as the Section 52 Report for the 2<sup>nd</sup> quarter of 2022/2023, 2021/22 Annual Report, 2022/2023 Mid-Year Budget & Performance Assessment and the Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFW) for the financial year. The committee's view is that in general, the financial position of the municipality is relatively positive. The committee is satisfied with the level of financial reporting and financial information presented to the committee.

#### **9. Compliance with Legislation/ Governance**

At its meeting held, the implementation of the Municipal Property Acts was presented. No additional Compliance with Legislation/ Governance was reported to the committee for the 3<sup>rd</sup> Quarter.

#### **10. Conclusion**

The committee is pleased with the continuous progress made by the Swellendam Municipality in improving the overall governance, internal control and risk management environment.

On behalf of the Audit and Performance Audit Committee

A handwritten signature in black ink that reads "A Dippenaar". The signature is written in a cursive, flowing style.

**Mr. A. Dippenaar**  
**APAC Chairperson**  
**Date: 31 March 2023**