



2022/2023

**Audit & Performance Audit Committee
Annual (including Quarter 4)
Performance Report**

1. Introduction

Section 166 of the Municipal Finance Management Act No. 56 of 2003, requires every Municipality to establish and maintain an audit committee. The independent audit committee which must advise the municipal council, the political office-bearers, the accounting officer and the management staff of municipality relating to matters stipulated under MFMA section 166.

The Audit and Performance Audit Committee (APAC) of the Swellendam Municipality (hereafter referred to as *the Committee*) is well established and functioning as required. All the members of the Audit Committee are also members of the Performance Audit Committee. The committee met 7 times during the 2022/2023 financial year.

2. APAC Members and Attendance:

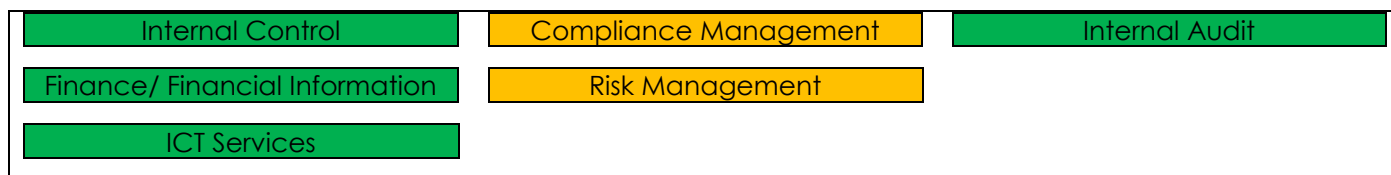
Members	Capacity	Dates of Meetings attended
Dr. A Potgieter	Chairperson (Terminated 30 August 2022)	30 August 2022
Mr. A Dippenaar	Chairperson (Effective from 01 September 2022)	24 October 2022 23 February 2023 12 May 2023 20 June 2023 (Special APAC Meeting) 27 June 2023
Mr. R Rhoda	Member from (From 1 July 2020)	20 July 2022 30 August 2022 24 October 2022 23 February 2023 12 May 2023 20 June 2023 (Special APAC Meeting) 27 June 2023
Adv. N Hendricks	New Member (From 1 Feb 2021)	20 July 2022 30 August 2022 24 October 2022 23 February 2023 12 May 2023 20 June 2023 (Special APAC Meeting) 27 June 2023
Mr. P Silbernagl	New Member (From 1 April 2021)	20 July 2022 30 August 2022 24 October 2022 23 February 2023 20 June 2023 (Special APAC Meeting) 27 June 2023

The abovementioned meetings were well attended by the Municipal Manager, Chief Audit Executive and the other Executive Management Team members. From 01 September 2022, a new Audit And Performance Audit Committee Chairperson was appointed. The previous APAC Chairperson, Dr A Potgieter's contract terminated on 30 August 2022 and the newly appointed APAC Chairperson, Mr A Dippenaar was appointed on 01 September 2022.

3. Executive Summary

Based on the reports that were submitted and reviewed by the APAC, the APAC made the following observations in terms of MFMA Section 166 requirements:

1 st Line of Assurance	2 nd Line of Assurance	3 rd Line of Assurance
Governance	Performance Management	External Audit



Legend

	Provides Assurance
	Provides Limited/ Some Assurance
	Provides No Assurance

(a) Governance

The Internal Audit (IA) function conducted Governance Review and no significant concerns were noted. Therefore, the committee is pleased that most of the governance structures within the Municipality are in place and is functional.

The APAC recommends that future governance reviews should focus on the efficiency and effectiveness aspects of governance processes within the Municipality.

(b) Internal Controls

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

Based on these reports the committee believes that the 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.

(c) Finance/ Financial Information

The committee also provides assurance that the Chief Financial Officer (CFO) possess the appropriate qualifications and experience to perform her responsibilities effectively.

The committee reviewed the S71, S52 Financial Reports and Supply Chain Management (SCM) Implementation Performance Reports for the 2022/2023 financial year on a quarterly basis.

The committee's view is that in general the financial position of the municipality is relatively positive and that the municipality has also complied with the required audit procedures and applicable legislation.

(d) Information and Communication Technology (ICT)

ICT is a rapidly advancing discipline within the public sector, and management should allocate sufficient resources to the effective functioning of the ICT environment.

Based on the assurance reports (ICT quarterly report and Management Report issued by the AGSA) that were tabled to the APAC, the committee believes that the 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 the ICT governance, risk environment and control processes.

The committee also recommends that the Municipality use ICT as a business enabler in order to ensure efficient and effective ICT processes.

(e) 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.*

The Committee is satisfied that the Municipality utilizes mechanisms, systems and processes for auditing the results of performance measurement as part of its internal and external audit processes, including assessments of the functionality of the performance management system whether the system complied with the requirements of the MSA, and include assessments of the extent to which the performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators.

(f) Compliance requirements

The Internal Audit function conducted Compliance Reviews on compliance with the MFMA and DORA and was submitted and reviewed by APAC. These reports were tabled and discussed by the committee 30 August 2022.

Based on the Compliance assurance report that was tabled, the APAC is of the opinion that the recommendations should be implemented to ensure that full compliance is received by the Municipality.

(g) Risk Management

The committee has reviewed the risk management processes implemented by management during the financial year, and is satisfied with the progress made with the implementation of risk management within the municipality. The Annual Risk Registers as well as the quarterly Risk Action Reports was submitted to the Committee during the period under review. The Risk Management tasks are being facilitated internally by the Municipal Manager with the support from Internal Audit Activity.

On a quarterly basis the Fraud and Risk Management Committee (FARMCO) meets. During the FARMCO meetings, the Municipal Manager (Chairperson) will revisit the risk register and each risk identified on the risk register is evaluated and assessed with the input and comments from the respective Director. Internal Audit facilitate workshops with the respective Directorates on a regular basis.

(h) External Audit (Auditor-General of South Africa)

To be added once the final Audit Report is received from the Auditor-General of South Africa.

(i) Internal Audit

The Swellendam Municipality has an in-house Internal Audit function. The structure of the IAA makes provision for the following posts, namely: Chief Audit Executive (1 post: Vacant) and Senior Internal Auditor (1 post: Filled), Internal Auditor (1 Post: Filled) and Internal Audit Intern (1 post: Filled). There is currently 1 vacant post on the IAA structure.

As from 1 July 2022, the Chief Audit Executive (CAE) position also became vacant and it is critical that the position be filled as soon as possible. In addition, the Senior Internal Auditor post was also vacant from October 2023. During that time, the Internal Audit function had only the internal audit interns. The Internal Auditor and Senior Internal Auditor was appointed respectively, 01 May 2023 and 01 June 2023.

A number of audits have been completed during the year under review and these reports have been presented to the committee for discussion. The committee will monitor the progress on the implementation of the deficiencies identified by Internal Audit. The Internal Audit Department also managed to complete 100% of the 2022/2023 Risk-Based Internal Audit Plan (RBIAP). In addition to completing the RBIAP, a number of ad hoc activities were also performed by the Internal Audit function.

The following internal audit engagements were approved by the audit committee and completed by internal audit during the 2022/2023 financial year under review:

Assurance Engagements:

- 2021/22 4th Quarter and Annual SDBIP Performance Review
- 2021/22 High-Level Annual Financial Statements Review
- 2021/22 Annual Stock Count (Year-end)
- Landfill Site Compliance (Infanta)
- 2022/23 Compliance Review
- 2022/23 1st Quarter Performance (SDBIP) Review
- Landfill Site Compliance (Bontebok)
- Revenue Management: Sundry Income
- 2022/2023 2nd Quarter Performance (SDBIP) Review
- Landfill Site Compliance (Malgas)
- Illegal Dumping Review
- Governance Review
- Risk Management Review
- 3rd Quarter Performance (SDBIP) Review
- Landfill Site Compliance (Infanta)
- Supply Chain Management: Contract Management Review
- Internal Quality Assurance Review

Consulting Engagements:

- Ongoing Risk Management Support
- Ongoing Management Support
- Advisory Services Council portfolio committees

Ad Hoc Activities:

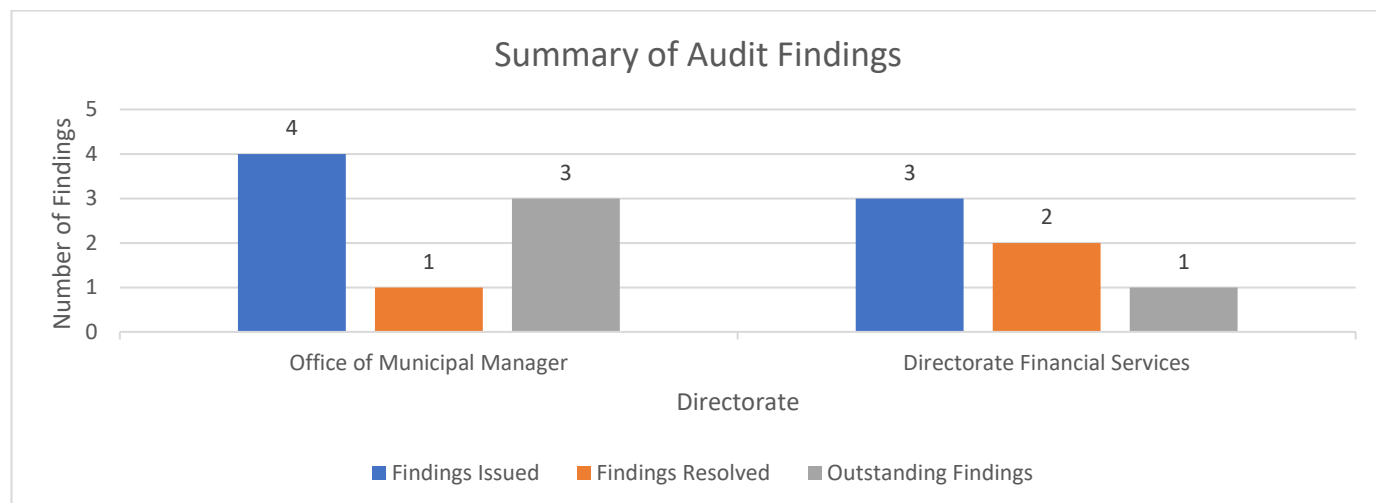
- Conflict of Interest
- Tax Deduction
- Task Evaluation
- Petrol Usage
- Appointment of Refuse Removal General Assistants Appointment

Follow Up Audits:

Internal Audit conducted follow up audits on a quarterly basis and it was noted that:

- A total of 7 findings were issued in 2022/2023 of which 43% has been resolved.
- Of the 57% that is still outstanding, and 57% is not due yet.

The status of implementation on corrective actions is a standing item on the quarterly Audit Committee agenda, and as such the Committee reviews progress on a quarterly basis. Please see a summary of the resolved and unresolved findings below:



4. APAC conducted an assessment on the Internal Audit Activity of Swellendam Municipality

On an annual basis, the Audit and Performance Audit Committee (APAC) must evaluate and assess the effectiveness of the Internal Audit Activity of Swellendam Municipality. The Internal Audit Activity was evaluated and assessed by the Audit and Performance Audit Committee (APAC) on 27 June 2023. Questions were asked using a response rating **(4: Excellent; 3: Good; 2: Fair and 1: Poor)**. A total of 25 questions were asked by which each APAC member had to respond with an appropriate rating. The questions were structured as follows:

- Question(s) 1 – 7: Charter, Structure and Positioning
- Question(s) 8 – 10: Audit Staff
- Question(s) 11 – 13: Relationship with Management
- Question(s) 14 – 17: Relationship with the Audit Committee
- Question(s) 18 – 21: Performance and Audit Plan
- Question 22: Management of the Internal Audit Activity
- Question(s) 23 – 25: Other Support Functions

The Audit and Performance Audit Committee (APAC) provide oversight of the Internal Audit Activity. In addition, regularly assessing the Internal Audit Activity aid to ensure that issues raised are addressed and/or mitigated by appropriate leadership, thereby increasing the value added by the Internal Audit Activity to the Swellendam Municipality. The following comments and/or concerns were raised during the evaluation by the Audit and Performance Audit Committee (APAC) members:

- The Chief Audit Executive (CAE) position needs to be filled
- Strategic documentation needs to be reviewed for grammar and duplication
- And where the APAC member indicated a fair and/or poor rating is mainly due to insufficient information being provided to allow to obtain a higher rating. However, I am very impressed with the Internal Audit Activity of Swellendam Municipality and think that they are doing good in the portrayal of their roles.

5. Quarterly Reporting to Council

The committee submits quarterly reports to the Municipal Council on the matters referred to in Section 166 (2) of the Municipal Finance Management Act. These reports are also accompanied with the detailed minutes of the committee meetings held per quarter.

The quarterly reports and minutes are also tabled to the Municipal Public Accounts Committee (MPAC) for discussion. A separate detailed committee report is also submitted to MPAC as part of the annual report oversight process.

6. Concerns & Recommendations

The committee is concerned with regards to the capacity constraints faced by internal audit, and recommends that the vacant internal audit positions be prioritized by the Administration, especially the

chief audit executive position.

In terms of the Compliance requirements, the APAC is of the opinion that the recommendations should be implemented to ensure that full compliance is received by the Municipality.

The APAC is also concern about the risk management function. The APAC is of the opinion that the Municipality should ensure that there are sufficient resources and oversight provided in order to ensure that risk is adequately identified, assessed and addressed.

7. Conclusion

Overall and subjected to the issues raised in the report, the committee is pleased with the continuous progress made by the Swellendam Municipality in improving the overall governance, risk management and control environment.

On behalf of the Audit and Performance Audit Committee.

A handwritten signature in black ink, appearing to read 'A Dippenaar', written in a cursive style.

Mr A. Dippenaar
APAC Chairperson
Date: 26 July 2023