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MINUTES OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE (APAC) MEETING

Name of Meeting:	Audit and Performance Audit Committee (APAC) Meeting	
Date:	16 April 2024	
Time:	08H00	
Venue:	Video Conferencing Facility (Virtual Meeting)	
Committee Members:	Mr. A Dippenaar	APAC: Chairperson
	Mr. R Rhoda	APAC: Member
	Mr P. Silbernagl	APAC: Member
	Prof. N Olivier	APAC: Member
Officials:	Ms. A. Vorster	Municipal Manager
	Ms. E. Wasserman	Director: Financial Services
	Mr. K. Stuurman	Director: Community Service
	Mr. W. Treurnicht	Acting Director: Infrastructure Services & Senior Manager: Civil Engineering Services
	Mr. A. Petersen	Senior Internal Auditor
	Mr. H. Swart	Internal Auditor
	Ms. M Vermeulen	Internal Audit Intern
	Mr. Z. Wiese	Performance & Compliance Officer

AGENDA ITEM	RESOLUTION	RESPONSIBLE OFFICIAL
1. OPENING AND WELCOMING The Chairperson commenced the meeting by extending a warm welcome to all attendees. Furthermore, the Chairperson acknowledged the recent appointments of Professor N. Olivier and Ms. K. Talmakkies to the Audit and Performance Audit Committee (APAC), along with the reappointment of Mr. P. Silbernagl. Additionally, it was noted that Ms. K. Talmakkies will assume her role on the Audit and Performance Audit Committee starting 01 July 2024		Chairperson
2. APPLICATION FOR LEAVE OF ABSENCE None	*The Audit and Performance Audit Committee (APAC) took cognisance that there*	Chairperson

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	is no application for Leave of Absence.	
3. DECLARATION OF INTEREST: COMMITTEE MEMBERS The Audit and Performance Audit Committee members had no interests to declare.	*The Audit and Performance Audit Committee and Senior Management take cognizance that no interests were declared by the Committee Members and Senior Management Team.*	All
4. FINALIZATION OF THE AGENDA The agenda was accepted and no additional items were added to the agenda.	*The Audit and Performance Audit Committee and the Senior Management accepted the agenda and no additional agenda items were added.*	Chairperson
5. MINUTES OF PREVIOUS MEETING: 11 December 2023 The minutes of the previous meeting, dated 11 December 2023 were reviewed and approved by the Audit and Performance Audit Committee.	*The minutes of the meeting held on 11 December 2023 were reviewed and approved by the Audit and Performance Audit Committee. However, the committee members recommended that the minutes should offer comprehensive documentation of the discussions that transpired during the meeting.*	Chairperson
5.1. Matters arising from the previous minutes	*The Senior Management and Internal Audit Activity accepted the recommendation made by*	Chairperson

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The Audit and Performance Audit Committee indicated that the minutes do not mention any concerns, recommendations, points, or issues on the agenda topics. For instance, the terms "noted" and "cognize," but rather addressing and highlighting the concerns raised by the committee. APAC raised the following matters from the minutes: • **7.7 Reporting of Fraud-Related Matters (if any)** The Municipal Manager indicated that an official was apprehended for the theft after the paint was removed from the Municipal property and that an investigation and disciplinary process had been held. 6.2 Progress and Implementation Update: APAC indicated their concern pertaining to the rehabilitation of the landfill Sites and that no remedial actions are taken regarding a financial plan or mitigation Plan. The Municipal Manager indicated that the Municipality is dealing with the issue on a more strategic level and actions are taken to ensure that the Landfill Sites are given the necessary attention. Also, the Municipal Manager mentioned that a separate session on waste and water issues can be scheduled to respond to the queries raised by the Audit and Performance Audit Committee.	*the Audit and Performance Audit Committee and that the matters arising from the previous minutes will be tabled and discussed at the next meeting.*	
6. PRESENTATIONS:		
6.1 2022/2023 AGSA Audit Outcome The Chief Financial Officer (CFO) delivered a detailed presentation to the Audit and Performance Audit Committee on the 2022/2023 AGSA Audit Outcome, providing a comprehensive overview. Additionally, the CFO mentioned that	*The Audit and Performance Audit Committee scrutinised the final AGSA Audit Report. In addition, the Audit and Performance Audit Committee recommended that an explanation and/or*	Chief Financial Officer

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the municipality received an unqualified audit opinion with identified matters (findings). Furthermore, Mr. P. Silbernagl raised a concern about the water losses and indicated that a plan needs to be in place. The Municipal Manager informed APAC that the municipality is actively working to update the water management system and that the informal settlement has a bulk meter system in place to track water losses. In addition, the Acting Director of Infrastructure Services mentioned that there are a few shortcomings with the water losses that could cause the water losses to be underestimated. These include the water treatment system and the need to install a water meter on the plant to differentiate between filtrating losses and network losses. The Chief Financial Officer provided a comprehensive overview of the performance report, emphasizing the targets that were not achieved. This failure stemmed from a scope limitation, compounded by the inability to produce supporting documentation owing to protest action and resultant fire damage.	*brief overview must be provided to them on the connection with water quantity and the pernicious high levels of water losses.*	
6.2 Draft 2022/2023 Annual Report The Municipal Manager presented the preliminary version of the 2022/2023 Annual Report to the Audit and Performance Audit Committee, clarifying that it serves as an interim draft and is not yet finalized for approval. The final report will be submitted for review and approval during the next meeting. Moreover, the Municipal Manager elucidated that the 2022/2023 Annual Report is currently open for public participation and recommended that the APAC also contribute comments. Additionally, the Municipal Manager highlighted that the Municipality achieved a certificate from Ratings Afrika for 3rd place in the Municipal Financial Sustainability Index (MFSI) within the Local Municipality category for the 2022/2023	*The Audit and Performance Audit Committee scrutinised the Draft 2022/2023 Annual Report presented and recommended that the final version be submitted to the committee for their input and comments. However, the final version will be circulated to the Audit and Performance Audit Committee.*	Municipal Manager

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financial year. The Chairperson congratulates the municipality for its achievement.		
7. STANDING ITEMS		
7.1 Financial In-Year Reporting: The Chief Financial Officer presented the Section 71 and 52 reports, along with the Supply Chain Management Implementation report, to the Audit and Performance Audit Committee. A comprehensive presentation and detailed explanation of these reports were provided to the committee. The Audit and Performance Audit Committee raised a concern regarding the findings on the Annual Financial Statements as raised by the Auditor General South Africa. The Chief Financial Officer mentioned that a new consultant was appointed for the drafting of the 2022/23 Annual Financial Statements. The CFO indicated that a new program and/or software has been used in place of Microsoft Office Excel for the Annual Financial Statements (AFS) and that the significant problems in the AFS were mainly due to the new program and/or software that was used for the Annual Financial Statements. The Audit and Performance Audit Committee recommended that the latest S71 be tabled at APAC. The Municipal Manager indicated that the S71 and S52 for March 2024 can be circulated to APAC as disseminated to the Council. Furthermore, the APAC raised a concern pertaining to the master plans for roads and stormwater as it was outdated. The Municipal Manager indicated that the masterplans are outdated due to internal expertise to do so and financial constraints to appoint consultants. However, the municipality is in the process of obtaining additional funding to amend the outdated master plans for roads and stormwater.	*That the Audit and Performance Audit Committee scrutinised the In-Year monitoring reports and made recommendations for management to take into account.* *The Audit and Performance Audit Committee recommended that the master plans be updated.*	Chief Financial Officer

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7.2. Risk Management Status Update: The Senior Internal Auditor presented the following reports to the Audit and Performance Audit Committee: 2023/24 Strategic and Operational Risk Register The Senior Internal Auditor delivered a comprehensive overview of the 2023/2024 Strategic and Operational Risk Register. Furthermore, the Senior Internal Auditor conveyed that the risk assessments have been scheduled for the 1st and 2nd of February 2023, involving all directorates and subordinates. 2023/2024 3rd Quarter Fraud and Risk Management Committee (FARMCO) Chairperson's Report The Senior Internal Auditor presented the Fraud and Risk Management Committee (FARMCO) Chairperson's report to the Audit and Performance Audit Committee. In addition, the third quarter Fraud and Risk Management Committee (FARMCO) meeting commenced on 13 February 2024. Fraud and Risk Management Committee Meeting Minutes: 13 February 2024 The Senior Internal Auditor submitted the meeting minutes of the Fraud and Risk Management Committee to the Audit and Performance Audit Committee. The minutes of the Fraud and Risk Management Committee meeting, which took place on 13 February 2024, were scrutinised by the Audit and Performance Audit Committee. The Audit and Performance Audit Committee indicated that Change and Disaster Management are key issues of concern as a subject of very high risks. In addition, the Audit and Performance Audit Committee recommended that the function of Risk Management should be under the Office of the Municipal Manager and not situated in the Internal Audit Unit. The Municipal Manager responded, stating that this report pertaining to Risk Management was the final report issued by the	*The Audit and Performance Audit Committee accepted the updated Strategic and Operational Risk Register for the 2023/24 financial year and made the recommendation of critical risks that should be considered and added to the strategic and operational risk register.* *The Audit and Performance Audit Committee accepted the minutes of the Fraud and Risk Management Committee (FARMCO) meeting held on 13 February 2024 and the FARMCO Chairpersons Report.*	Senior Internal Auditor

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Internal Audit Unit and that Risk Management will form part of the Performance & Compliance Officer's responsibility from the next quarter.		
7.3 3rd Quarter Chief Audit Executive Progress Report The Senior Internal Auditor presented the Chief Audit Executive (CAE) progress report to the Audit and Performance Audit Committee. The Audit and Performance Audit Committee highlighted that the 2023/24 Risk-Based Audit Plan has reached a completion rate of 71% (12 out of 17). The Audit and Performance Audit Committee recommended that the report should include a comparison with the approved Risk-Based Internal Audit Plan, encompassing not only the activities undertaken by the Internal Audit Unit but also their alignment with the established plan.	*The Audit and Performance Audit Committee took note of the Chief Audit Executive progress report and made a recommendation that the report should also include the approved audit engagement in order to measure alignment.*	Senior Internal Auditor
7.4 Combined Assurance Model The Senior Internal Auditor delivered a thorough presentation on the Combined Assurance Model to the Audit and Performance Audit Committee. Additionally, the committee was briefed on the top ten strategic and operational risks.	*The Audit and Performance Audit Committee scrutinised the 2023/24 Combined Assurance Model.*	Senior Internal Auditor
7.5 3rd Quarter Follow-up Report The Senior Internal Auditor delivered the 3rd Quarter Follow-up Report to the Audit and Performance Audit Committee (APAC), emphasizing the outstanding findings for the committee's attention.	*The Audit and Performance Audit Committee scrutinised the 3rd quarter follow-up report for the 2023/24 financial year.*	Senior Internal Auditor
7.6 Information & Communication Technology (ICT)	*The Audit and Performance Audit Committee acknowledges the*	Chief Financial Officer

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The Chief Financial Officer provided feedback indicating that the vacancy for System Administration has been officially advertised, candidates have been interviewed, and the Human Resources department is tasked with making the final decision and contacting the selected candidate.	*recruitment process for the vacant Information & Communication Technology position, including the advertising of the vacancy and the subsequent candidate interviews.*	
7.7 Reporting of Fraud-Related Matters (if any) No fraud-related matters were reported during the third quarter.	*The Audit and Performance Audit Committee takes cognizance that no fraud-related matters were reported during the third quarter.*	All
7.8 Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFW) The Chief Financial Officer presented the unauthorised, irregular, fruitless, and wasteful expenditure (UIFW) report as of June 2023 – March 2024 and highlighted the following: **<u>Unauthorized Expenditure</u>** • Depreciation charges on Health Services and Water management. **<u>Fruitless and Wasteful Expenditure</u>** • Non-compliance with SCM to Preferential Procurement Regulation 2022 below R30 000 (Various), Macnay CC, ASLA Construction and Hessequa Consulting Engineers. **<u>Irregular Expenditure</u>** • ASLA Construction	*The Audit and Performance Audit Committee scrutinised the Unauthorised, Irregular, Fruitless, and Wasteful expenditure reports.*	Chief Financial Officer
8. NEW MATTERS FOR CONSIDERATION		

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8.1. 2023/24 2nd Quarter Performance Management Review The Senior Internal Auditor formally presented the 2023/24 2nd Quarter Performance Management Review to the Audit and Performance Audit Committee.	*The Audit and Performance Audit Committee scrutinised the 2023/24 2nd Quarter Performance Management Review which was submitted for their attention.*	Senior Internal Auditor
8.2. Aging and Inadequate Roads and Stormwater Review The Senior Internal Auditor formally presented the Ageing and Inadequate Roads and Stormwater Review to the Audit and Performance Audit Committee. The Audit and Performance Audit Committee recommended that master plans for Waste, Water and Sanitation, Roads & Stormwater, and Transport (which are all outdated) need to be updated.	*The Audit and Performance Audit Committee scrutinised the Ageing and inadequate Roads and Stormwater Review which was submitted for their attention.*	Senior Internal Auditor
8.3. Risk Management Review The Senior Internal Auditor formally presented the Risk Management Review to the Audit and Performance Audit Committee.	*The Audit and Performance Audit Committee scrutinised the Risk Management Review which was submitted for their attention.*	Senior Internal Auditor
8.4. Ad hoc Request: Duplicate Order Collection The Senior Internal Auditor formally presented the Ad hoc Request: Duplicate Order Collection Investigation report to the Audit and Performance Audit Committee.	*The Audit and Performance Audit Committee scrutinised the Ad hoc Request: Duplicate Order Collection Investigation which was submitted for their attention.*	Senior Internal Auditor
9. General		All

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The Chief Financial Officer suggested that the Audit and Performance Audit Committee schedule a meeting to discuss the impact of tariffs on service delivery and general Municipality operations. Mr. P Silbenagl congratulates Mr. Z Wiese on his appointment as Performance & Compliance Officer.		
8. Closure The Chairperson closed the meeting and thanked everyone who participated in the session. Without any further items to discuss the meeting was closed at 10h00.		Chairperson