



SWELLENDAM MUNICIPALITY
2nd QUARTER REPORT OF THE AUDIT AND PERFORMANCE
AUDIT COMMITTEE FOR THE 2023/24 FINANCIAL YEAR

We are pleased to present the Audit and Performance Audit Committee report for the Swellendam Municipality for the 2nd quarter of the 2023/24 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 and Performance Audit Committee (APAC) can make an effective and valuable contribution to the process by which an organization is directed and controlled.

The Swellendam Audit and Performance Audit Committee is well-established and functioning as required. The Audit and Performance Audit Committee (APAC) met once during the 2nd quarter of the 2023/24 financial year on 11 December 2023.

2. Audit and Performance Audit Committee Members and Attendance at 2nd Quarter Meeting:

Members	Capacity	Meeting Attended
Mr. A. Dippenaar	Chairperson	31 August 2023 15 September 2023 (Special Audit and Performance Audit Committee Meeting) 11 December 2023
Adv. N. Hendricks	Member	31 August 2023 15 September 2023 (Special Audit and Performance Audit Committee Meeting) 11 December 2023
Mr. R. Rhoda	Member	31 August 2023 15 September 2023 (Special Audit and Performance Audit Committee Meeting) 11 December 2023 (Not Attended)

Mr. P. Silbernagl	Member	31 August 2023 - Not attended 15 September 2023 (Special Audit and Performance Audit Committee Meeting) 11 December 2023 (Not attended)
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The above-mentioned meeting was well attended by the Municipal Manager, Chief Financial Officer, and other Directors. It is imperative to convey that the position of Director of Infrastructure Services is presently unoccupied, with Mr. Willem Treurnicht serving as the Acting Director of Infrastructure Services on an interim basis. Additionally, it is duly acknowledged that Mr. Peter Silbernagl and Mr. Richard Rhoda were not in attendance at the Audit and Performance Audit Committee meeting held virtually on 11 December 2023, and tendered their apologies for their inability to participate.

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

The following Internal Audit documents were presented to the Audit and Performance Audit Committee during the meeting:

- 2nd Quarter Chief Audit Executive Progress Report
- Combined Assurance Plan
- 2nd Quarter Follow-up Report

The following internal audit engagements were conducted and the final reports were presented to the Audit and Performance Audit Committee during the meeting:

- 2022/23 Compliance Review
- 2022/23 4th Quarter Performance Management Review
- Ad hoc Request: Electrical Metering Investigation
- 2023/24 1st Quarter Performance Management Review
- 2023/24 Governance Review

Progress on the implementation of the approved 2023/24 Risk-Based Internal Audit Plan was also duly reported to the Audit and Performance Audit Committee, and the committee have confidence in that the Internal Audit function has been effective in carrying out its function in the municipality.

Internal Audit provided direct support to the Auditor-General of South Africa (AGSA) in conducting the Asset Verification and reviewing the Draft Annual Financial Statements (AFS) for the fiscal year 2022/2023. Subsequently, Internal Audit submitted an internal memorandum detailing the High-Level Review of the 2022/2023 AFS and another internal memorandum regarding the Asset Verification Review for the fiscal year 2023/2024.

4. Quality Assurance and Improvement Program

During the 2nd Quarter Audit and Performance Audit Committee meeting, the approved 2023/24 Quality Assurance and Improvement Program (QAIP) was formally presented.

The QAIP report meticulously highlights the Internal Audit Activity's quality assurance activities that the Internal Audit Activity (IAA) is performing in order to ensure compliance and/or alignment with the Internal Professional Practices Framework (IPPF) for Internal Auditing. The Audit and Performance Audit Committee acknowledges and commends the robustness of the quality assurance and improvement processes established within 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 fulfils its mandate, in compliance with all relevant statutory and governance duties and requirements.

The Audit and Performance Audit Committee has diligently assessed the internal audit engagement reports submitted by the Internal Audit Activity. In light of these internal audit engagement reports, the Audit and Performance Audit Committee acknowledges the presence of substantial internal controls while also noting the identification of specific control deficiencies. As part of its oversight responsibility, the Audit and Performance Audit Committee will closely track the advancements made by Management in enhancing their internal control framework within the municipality.

6. Risk Management/ Combined Assurance

At its meeting, Internal Audit Activity furnished the Audit and Performance Audit Committee with a comprehensive update on the municipality's Risk Management activities. In addition, the Audit and Performance Audit Committee undertook a thorough review of the following documents pertaining to risk management:

- 2023/24 Strategic and Operational Risk Register
- 2023/24 2nd Quarter Fraud and Risk Management Committee (FARMCO) Chairpersons Report
- Fraud and Risk Management Committee (FARMCO) Meeting Minutes: 29 November 2023

During the meeting, the Audit and Performance Audit Committee received a formal presentation of the Combined Assurance Plan. This plan is harmonized with the 2023/24 Strategic and Operational Risk Register. The Audit and Performance Audit Committee expresses contentment with the advancements made in implementing risk management practices throughout the municipality. Furthermore, it was communicated that the Internal Audit Activity is actively engaged in coordinating with Stellenbosch

Municipality to conduct a peer review of the risk management processes within Swellendam Municipality.

7. Performance Management

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

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

The Performance and Compliance Officer resigned and the post has been vacant for approximately three months. However, the Performance and Compliance Officer post was advertised on 28 November 2023.

8. Accounting / Financial Information

During the meeting, the Audit and Performance Audit Committee comprehensively reviewed the following Financial In-Year Reporting:

- Section 71
- Section 52 and
- Supply Chain Management Quarterly Implementation Report
- Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFW)

Subsequent to deliberations and the assurances received, the Audit and Performance Audit Committee expresses its contentment with the municipality's Performance Management, Accounting, and Financial Information Processes. The Chief Financial Officer also provide an overview and progress update on the submission of the Annual Financial Statement and the progress made on the 2022/23 audit conducted by the Auditor-General South Africa (AGSA).

9. Compliance with Legislation / Governance

The following Compliance with Legislation / Governance was reported to the Audit and Performance Audit Committee for the 2nd Quarter during the meeting:

The organisation structuring re-alignment was consulted with respective directors and official within that directorate. The consultation session was held on 9 November 2023 with all of the officials to discuss the organisational structuring re-alignment. However, the Council approved the draft micro-organisational structure in principle for further consultation on 31 October 2023.

Furthermore, the Manager of Solid Waste and Environmental and Acting Infrastructure Director delivered a thorough presentation on the municipal landfill site, accompanied

by reports on the green drop, blue drop, and green drop watch to the Audit and Performance Audit Committee (APAC). The purpose of the presentation was to inform the Audit and Performance Audit Committee (APAC) on the progress and implementation regarding the municipal landfill sites.

10. Conclusion

The Audit and Performance Audit 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



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Mr. A. Dippenaar
APAC Chairperson
Date: 11 December 2023