



SWELLENDAM MUNICIPALITY
1st QUARTER REPORT OF THE AUDIT AND PERFORMANCE
AUDIT COMMITTEE FOR THE 2024/2025 FINANCIAL YEAR



We are pleased to present the Audit and Performance Audit Committee report for the Swellendam Municipality for the 1st quarter of the 2024/2025 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 a municipality is directed and controlled.

The Audit and Performance Audit Committee (APAC) of the Swellendam Municipality is well-established and operates in accordance with its mandate. During the first quarter of the 2024/2025 financial year, the Committee convened twice, on 30 August 2024 (Special Audit and Performance Audit Committee Meeting) and 09 October 2024.

2. 1st Quarter Audit and Performance Audit Committee Members and Attendance:

| Members | Capacity | Meeting Attended |
|-------------------|-----------------|---|
| Mr. A. Dippenaar | Chairperson | 30 August 2024 (Special Audit and Performance Audit Committee Meeting) 09 October 2024 |
| Prof. N. Olivier | Member | 30 August 2024 (Special Audit and Performance Audit Committee Meeting) 09 October 2024 |
| Mr. P. Silbernagl | Member | 09 October 2024 |
| Ms. K. Talmakkies | Member | 30 August 2024 (Special Audit and Performance Audit Committee Meeting) 09 October 2024 |

The aforementioned meetings were well attended by the Municipal Manager, Chief Financial Officer, and Directors. However, it should be noted that Mr. Silbernagl did not attend the Special Audit and Performance Audit Committee meeting held on 30 August 2024, and Mr. Stuurman, Director of Community Services, was unable to attend the meeting scheduled for 09 October 2024.

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

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

- 1st Quarter Chief Audit Executive Progress Report
- Combined Assurance Plan
- Combined Assurance Oversight Report

The Internal Audit Function conducted the following audit engagements, with the corresponding Internal Audit Reports being presented to the Audit and Performance Audit Committee during the meeting

- 1st Quarter Follow-up Report
- 2023/24 Compliance Report
- 2023/24 Annual Performance Management Report
- Physical Inventory Count Report (Direct Assistance to AGSA)
- Land Invasion and Erection of Illegal Structures Report
- High-Level Annual Financial Statements Report
- Adhoc Request: Logbooks/Vehicle Register Report

The progress on the implementation of the approved 2024/2025 Risk-Based Internal Audit Plan for the 1st quarter was duly reported to the Audit and Performance Audit Committee. The committee expressed its belief that the Internal Audit Function had been effective in fulfilling its role within the municipality and successfully met its target in completing the audit engagements scheduled for the first quarter.

On the Special Audit and Performance Audit Committee Meeting held on 30 August 2024, the subsequent draft reports were formally presented to the committee for review, input, and comments:

- 2023/2024 Draft Annual Financial Statements (AFS) and
- 2023/2024 Annual Performance Report (APR)

The Committee conducted a comprehensive review of the 2023/2024 Draft Annual Financial Statements and Annual Performance Report, during which management offered feedback in response to the committee's inquiries. The Audit and Performance Audit Committee was satisfied with the performance of the Internal Audit Function; however, the committee emphasised the need to fill the vacancy of the Chief Audit Executive position within the function.

4. 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 Audit and Performance Audit Committee has diligently assessed the Internal Audit engagement reports submitted by the Internal Audit Function and in light of these 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. The Audit and Performance Audit Committee also witnessed during the meeting the various challenges the municipality is confronted with.

5. Risk Management/ Combined Assurance

The Audit and Performance Audit Committee reviewed the risk management and combined assurance processes of the municipality. In addition, the Audit and Performance Audit Committee undertook a thorough review of the following documents pertaining to risk management:

- 2024/2025 Strategic and Operational Risk Register
- 2024/2025 1st Quarter Fraud and Risk Management Committee (FARMCO) Chairpersons Report
- Fraud and Risk Management Committee (FARMCO) Meeting Minutes: 30 September 2024.
- Combined Assurance Oversight Report

The Audit and Performance Audit Committee received a formal presentation of the Combined Assurance Plan, which was aligned with the 2024/2025 Strategic and Operational Risk Register. The Committee expressed satisfaction with the progress made in implementing risk management practices across the municipality and was pleased with the effectiveness of the municipality's risk management and combined assurance processes. In addition, following the recommendation of the FARMCO Chairperson, certain targets in the Risk Management Implementation Plan were adjusted to a quarterly schedule to more accurately reflect the actual risk management processes.

6. 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 Audit and Performance Audit Committee was satisfied with the municipality's performance management processes. During the 1st quarter, the committee reviewed the 2023/24 Annual Performance Management Report submitted by the Internal Audit Function.

7. Accounting/ Financial Information

The Audit and Performance Audit Committee comprehensively reviewed the following Financial In-Year Reporting for the 1st quarter:

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

The Chief Financial Officer reported on matters concerning fraud, unauthorised, irregular, fruitless, and wasteful expenditure. Additionally, the Chief Financial Officer presented the 2023/2024 Audit Strategy and Engagement Letter to the Audit and Performance Audit Committee.

The Chairperson of the Audit and Performance Audit Committee also attended the meeting with the Auditor-General South Africa, alongside Internal Audit and the Executive Municipal Management Team to discuss the Audit Strategy and Engagement letter with the Auditor-General South Africa on 16 September 2024. During these meetings, the audit progress and the findings identified during the execution process were discussed.

The Audit and Performance Audit Committee provided assurance that the Chief Financial Officer (CFO) possessed the appropriate qualifications and experience to effectively carry out his/her responsibilities. Furthermore, the committee was satisfied that the CFO was more than capable of leading the municipality's financial department in accordance with the Municipal Finance Management Act (MFMA). Additionally, the committee found the expertise and resources of the finance function to be adequate.

8. Compliance with Legislation/ Governance/ Information and Communication Technology

Information and Communication Technology (ICT) is a rapidly advancing discipline within the public sector, and management was advised to allocate sufficient resources to ensure the effective functioning of the ICT environment. The municipality had been without an Information and Communication Technology Manager for some time, resulting in the outsourcing of all ICT functions.

The Audit and Performance Audit Committee reviewed the 2023/24 Compliance Report submitted by the Internal Audit Function and made recommendations that the municipality should consider developing a compliance consolidated register with all the requirements collated in one document. However, the Audit and Performance Audit Committee was satisfied with the municipality's compliance

processes but expressed concerns regarding the ICT processes due to the vacancy of the ICT Manager.

9. Conclusion

The Audit and Performance Audit Committee was pleased with the continuous progress made by the Swellendam Municipality in enhancing the overall governance, internal control, and risk management 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: 16 October 2024