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## MINUTES OF THE SPECIAL AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING

<b>Name of Meeting:</b>	Special Audit and Performance Audit Committee Meeting	
<b>Date:</b>	30 August 2024	
<b>Time:</b>	09H00	
<b>Venue:</b>	Video Conferencing Facility (Virtual Meeting)	
<b>Committee Members:</b>	Mr. A. Dippenaar	Chairperson
	Ms. K. Talmakkies	Member
	Prof. N. Olivier	Member
<b>Officials:</b>	Ms. A. Vorster	Municipal Manager
	Ms. E. Wassermann	Director: Financial Services
	Mr. K. Stuurman	Director: Community Services
	Mr. E. Delpont	Acting Director: Infrastructure Services
	Mr. H. Swart	Internal Auditor
	Mr. Z. Wiese	Performance, Risk & Compliance Officer

AGENDA ITEM	RESOLUTION	RESPONSIBLE OFFICIAL
<b>1. OPENING AND WELCOMING</b> The Chairperson opened the meeting by welcoming all attendees.		Chairperson
<b>2. APPLICATION FOR LEAVE OF ABSENCE</b> The following members could not attend the Audit and Performance Audit Committee meeting due to other commitments and apologies were submitted: <ul style="list-style-type: none"> <li>Mr. P. Silbernagl</li> <li>Mr. A. Petersen</li> <li>Mr. F. Coetzee</li> </ul>	The Audit and Performance Audit Committee acknowledged and accepted the application for leave of absence of the following members: <ul style="list-style-type: none"> <li>Mr. P. Silbernagl</li> <li>Mr. A. Petersen</li> <li>Mr. F. Coetzee</li> </ul>	Chairperson



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<p><b>3. DECLARATION OF INTEREST: COMMITTEE MEMBERS</b></p> <p>The Audit and Performance Audit Committee members and the Senior Management team had no interests to declare during the meeting.</p>	<p>The Audit and Performance Audit Committee Members and the Senior Management team had no interest to declare during the meeting.</p>	<p>All</p>
<p><b>4. FINALISATION OF THE AGENDA</b></p> <p>The agenda was accepted by the members.</p>	<p>The Audit and Performance Audit Committee members and the Senior Management team accepted the agenda without any additions.</p>	<p>Chairperson</p>
<p><b>5. PRESENTATIONS:</b></p> <p><b>5.1 2023/24 DRAFT UNAUDITED ANNUAL FINANCIAL STATEMENTS</b></p> <p>Ms. Wassermann provided a thorough overview of the 2023/24 Draft Unaudited Annual Financial Statements. She stated that preparing the Annual Financial statements this year presented significant challenges, particularly in ensuring the accurate and correct disclosure of transactions due to the lack of available information. Ms. Wassermann shared the following key risks encountered by the municipality during the preparation of the 2023/24 Annual Financial Statements:</p> <ul style="list-style-type: none"> <li>VAT Library Treatment: Ms. Wassermann reported that the municipality discussed this matter with the Auditor-General South Africa, but it remained unresolved.</li> <li>Burning of the building during the riots in 2023. Ms. Wassermann stated that the insurance figures were obtained and presented to the Council on 28 August 2024. The Council subsequently accepted and approved the loss agreement for the burned building. She mentioned that the municipality consulted with the relevant experts to discuss the implications of this event</li> </ul>	<p>The Audit and Performance Audit Committee members reviewed the 2023/24 Draft Unaudited Annual Financial Statements, provided feedback, and made recommendations for consideration and implementation by the Chief Financial Officer.</p> <p>The Audit and Performance Audit Committee accepted the 2023/24 Draft Unaudited Annual Financial Statements before submission to the Auditor-General South Africa.</p>	<p>Chief Financial Officer</p>



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<p>and its potential impact on the figures reported in the 2023/24 Annual Financial Statements.</p> <ul style="list-style-type: none"> <li>Land transaction: Ms. Wassermann indicated that the amount related to this transaction was not correctly disclosed in the asset register, which could be flagged as a material finding depending on what angle the Auditor-General South Africa interprets it.</li> </ul> <p>Ms. Wassermann explained that the municipality received furniture donations and a cost implications assessment was conducted for all the items, and they were added to the asset register based on the estimated values.</p> <p>Ms. Wassermann provided additional details on the Statement of Financial Position, noting a significant increase in statutory receivables from VAT transactions and non-exchange transactions between the 2023 to 2024 financial years. She explained that this increase was primarily attributed to traffic fines. Additionally, Ms. Wassermann highlighted an increase in cash and cash equivalents, which was a result of unspent grant funding.</p> <p>Ms. Wassermann stated that the 2022/23 OPCAR was utilised in preparing the 2023/24 Annual Financial Statements to minimise the recurrence of similar findings in the 2023/24 audit review. Ms. Talmakkies emphasised the issue of the VAT library treatment and recommended that the municipality communicate with the Auditor-General South Africa, providing substantiating evidence to support the position of the municipality.</p> <p>Prof. Olivier highlighted the following minor issues to management:</p> <ul style="list-style-type: none"> <li>Inconsistency on Note 4 (page 6): The amount in the note did not align with the amount in the annual financial statements.</li> </ul>		



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<ul style="list-style-type: none"> <li>• Intangible Assets: A decrease was noted from 2023 to 2024. Ms. Wassermann explained that this was due to the municipality writing off certain assets.</li> <li>• Unspent conditional grants and receipts: Prof. Olivier inquired whether the municipality applied for rollovers. Ms. Wassermann responded and confirmed that the municipality applied for a rollover on 15 July 2024, including a Disaster Management grant rollover of R1.1 million, which was not fully spent.</li> <li>• Provisions: Prof. Olivier noted an increase in provisions and asked whether the municipality had made provisions for legal costs. Ms. Wassermann confirmed that the budget included provisions for legal costs.</li> <li>• Total expenditure: Prof. Olivier observed an increase in total expenditure from 2023 to 2024. Ms. Wassermann responded and confirmed that the increase related to contracted services.</li> <li>• Surplus for the year: Prof. Olivier noted a decrease from 2023 to 2024. Ms. Wassermann explained that this was due to accruals that had yet to be recognised.</li> <li>• Operating leases: Prof. Olivier pointed out an increase from 2023 to 2024. Ms. Wassermann responded and confirmed that, following the destruction of the building after the fire and protest action in 2023, the municipality had to lease a new building, which accounted for the increase in operating leases on the annual financial statements.</li> </ul> <p>Prof. Olivier inquired whether the municipality was adhering to the National Treasury's norm of maintaining employee costs at 40%. Ms. Wassermann responded that, according to the updated budget, the municipality had reached approximately 36%. However, she stated that outstanding commitments could impact this achievement. Prof. Olivier recommended that a footnote should be added which outlines the contingencies amount and explains the reasons for the delays in capital projects amount. Ms. Wassermann acknowledged the recommendation and confirmed that a footnote would be</p>		



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<p>added to the Annual Financial Statements to address these issues for ease of clarity and understanding.</p> <p>Prof. Olivier also pointed out several spelling, grammatical, and numerical errors within the Annual Financial Statements and recommended that the statements be thoroughly proofread before submission to the Auditor-General South Africa. Additionally, Prof. Olivier inquired whether the municipality had enforced consequence management processes for irregular expenditure and Ms. Wassermann responded that the irregular expenditure had been reported to the National Treasury, but no consequence management was implemented, as the Council had accepted and approved the contract identified as irregular expenditure.</p> <p>Ms. Talmakkies raised a question regarding operational costs noted in Note 43, seeking clarification on the composition of the amount, as it appeared as an expense account, but was shown as a credit. Ms. Wassermann responded by explaining that the municipality had consulted with the consultants, who confirmed that limitations were identified in the municipality's mSCOA chart.</p> <p>Ms. Wassermann emphasised that all necessary corrections to the 2023/24 Annual Financial Statements would be made following the recommendations from the Internal Audit Function, National Treasury, and the Audit and Performance Audit Committee.</p>		



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<p><b>5.2 2023/24 DRAFT UNAUDITED ANNUAL PERFORMANCE REPORT</b></p> <p>Mr. Wiese provided a comprehensive overview of the 2023/24 Draft Unaudited Annual Performance Report, with a particular emphasis on Chapter 3: Organisational Performance. He stated and confirmed that all key performance indicators were reviewed quarterly. Mr. Wiese explained that the indigent applications were incomplete and that the 2022/23 Annual Report was submitted late due to delays in the commencement and finalisation of the 2022/23 audit by the Auditor-General South Africa last year.</p> <p>Prof. Olivier recommended that the municipality review the risk register and consider including the risk of climate change. He stated that the Combined Assurance Plan had last been reviewed in 2019 and recommended that the municipality conduct an annual review of all strategic documentation.</p>	<p>The Audit and Performance Audit Committee members reviewed the 2023/24 Draft Unaudited Annual Performance Report, provided constructive feedback, and made recommendations for consideration and implementation by the Performance, Risk, and Compliance Officer.</p> <p>The Audit and Performance Audit Committee accepted the 2023/24 Draft Unaudited Annual Performance Report before submission to the Auditor-General South Africa.</p>	<p>Performance, Risk and Compliance Officer</p>
<p><b>6. General</b></p> <p>Ms. Vorster extended sincere appreciation and thanks to all stakeholders involved in the preparation and review of the 2023/24 Draft Unaudited Annual Financial Statements and Annual Performance Report and acknowledged the input and recommendations provided.</p>		<p>All</p>
<p><b>7. Closure</b></p> <p>The Chairperson adjourned the meeting, thanked everyone for their participation, and closed the meeting at 10:30.</p>		<p>Chairperson</p>