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SWELLENDAM MUNICIPALITY 2023/2024 COMBINED ASSURANCE OVERSIGHT REPORT

We are pleased to present the Combined Assurance Oversight Report to Council for the 2023/24 financial year.

Purpose

The purpose of this report is to provide Council with an overview of the Combined Assurance Plan for Swellendam Municipality for the 2023/24 financial year, including the top 10 strategic and operational risks the municipality is encountered with.

The main objective of the Combined Assurance Plan is to provide a structured and coordinated approach to risk management, ensuring that all significant risks faced by the municipality are identified, assessed, and mitigated effectively. This plan aims to enhance the Council's oversight capabilities by integrating and aligning assurance activities across various functions, thereby fostering a robust governance framework and improving operational efficiency.

Background

The concept of Combined Assurance is supported by the King Report (KING VI) which recommends that a municipality should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The Fraud and Risk Management and Audit and Performance Audit Committees play a pivotal role in the Combined Assurance process.

According to the King Report on Corporate Governance, Combined Assurance refers to the integration, coordination, and alignment of assurance processes across a municipality to optimise and maximise the level of assurance obtained from various assurance providers. The Three Lines of Defence Model helps the risk management function of the Swellendam Municipality identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management.

The Internal Audit function conducts quarterly risk assessments with key stakeholders across various departments. Following these assessments, the risk register is updated

accordingly, along with the Combined Assurance Plan, which identifies the top 10 strategic and operational risks. The updated risk register and Combined Assurance Plan are then presented to the Fraud and Risk Management Committee (FARMCO) for input and comments, before being submitted to the Audit and Performance Audit Committee and the Council for oversight purposes.

The different role players (assurance providers) in the Combined Assurance Plan are as follows:

- Fraud and Risk Management Committee (FARMCO)
- Audit and Performance Audit Committee (APAC)
- Risk Management
- Internal Audit
- External Auditor / Auditor-General South Africa
- Performance Management
- Legal Services
- Information and Communication Technology
- Management
- Occupational Health and Safety
- Government departments, entities and regulators
- Municipal Council
- Other Assurance Providers

Combined Assurance Plan of Swellendam Municipality

Combined assurance ensures that all assurance activities provided by management, internal assurance providers, and external assurance providers adequately address significant risks facing the municipality and that suitable controls exist to mitigate these inherent risks to an acceptable level of residual risk. This provides a useful guide to assist with the development of a combined assurance plan in more detail and reduce any assurance fatigue and/or duplication of assurance efforts. The combined assurance plan takes into account the Institute of Internal Auditors (IIA) Three Lines of Defense Model. A more detailed depiction of the Swellendam Municipality's Combined Assurance Plan is below:

Nr	Risk Description	Inherent Risk Rating	Residual Risk Rating	Current Controls	Management (1 st & 2 nd Lines)	Internal Audit (3 rd Line)	Auditor General (External Assurance Providers)	Assurance Coverage: Internal Audit/Management Coverage
Strategic Risks								
1.	Illegal Electrical, Water and Waste connections	90	81	<ol style="list-style-type: none"> Disconnections of known illegal connections Investigation on identified suspected breached electrical meters 	X	X		<ul style="list-style-type: none"> Management Intervention / Provincial Government support required for funding. Ongoing monitoring of current controls.
2.	Limited Lifecycle/ lifespan of Waste Disposal Facility (WDF) (Bontebok)	90	67.5	<ol style="list-style-type: none"> Manager: Waste Management manage/ monitor waste sites (quarterly Progress Reports Compliance on permit conditions) Permit Conditions of Landfill Sites New management tender is in process which includes better compaction processes. 	X	X		<ul style="list-style-type: none"> Internal Audit conducted an audit engagement on a quarterly basis during the 2022/2023 financial year. Management intervention /Provincial Government support required funding.

		<p>4. Deviation of organics from the landfill to the compost site and recycling initiatives.</p> <p>5. Waste energy long term solution for zero waste to landfill.</p>			
<p>3. Unpredictable Loadshedding: Unstable supply of electricity</p>	<p>90</p>	<p>67.5</p>	<p>X</p>	<p>X</p>	<ul style="list-style-type: none"> Management Intervention/ Provincial Government support required funding. Ongoing monitoring of current controls.
<p>4. Inability to manage Land Invasions & Erection of Illegal Structures</p>	<p>81</p>	<p>60.75</p>	<p>X</p>	<p>X</p>	<ul style="list-style-type: none"> Management intervention/ Provincial Government support required funding. Internal Audit conducted a consultancy engagement during the 2023/2024 financial year.
<p>5. Vandalism and Theft of Infrastructure</p>	<p>72</p>	<p>54</p>	<p>X</p>	<p>X</p>	<ul style="list-style-type: none"> Management Intervention/ Provincial Government support. Internal Audit conducted an audit engagement during the 2018/2019 financial year.

6.	Water and Waste Water treatment works authorisations	72	54	1. Discussions/Interventions with National Department of Water and Sanitation	X	X	X	<ul style="list-style-type: none"> Management Intervention. Provincial Government Support required funding. Ongoing monitoring of current controls
7.	Sewerage overflows	72	54	<ol style="list-style-type: none"> Rodding Use of available jetting machine Frequent route patrols Link app complaint platform 	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government Support required funding. Ongoing monitoring of current controls. 	
8.	Inability to sustained financial viability	72	54	<ol style="list-style-type: none"> IDP aligned to key municipal objectives Credible and funded budget Regular performance monitoring Monitoring of revenue and debt collection rate Cost Containment Indigent support 	X	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government Support required funding. Ongoing monitoring of current controls.
9.	Inadequate Disaster Recovery and Business Continuity	72	54	<ol style="list-style-type: none"> Backups Restorability testing Generator/UPS/Inverter Disaster Recovery / Business Continuity Plans Firewall and security measures 	X	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government support required funding. Ongoing monitoring of current controls.
10.	Loss of information	72	54	<ol style="list-style-type: none"> Access Control Backup Facilities Scanning of Corporate Documents Ad-Hoc Scanning 	x	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government support required funding. Ongoing monitoring of current controls.
Operational Risk								

1.	Fires outages due to the vast amount of Alien Vegetation	72	54	1. Cleaning of Organic Alien Vegetation in line with the Alien Management Plan	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government. Ongoing monitoring of current controls.
2.	Ageing Roads and Stormwater infrastructure	70	52,5	1. Use of EPWP programme 2. Pavement Management System (RRAMS) detailing roads requiring urgent maintenance.	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government support required funding. Internal Audit conducted an audit engagement during the 2023/2024 financial year.
3.	Constraint in the Provision of Bulk Water	64	50,4	1) Ongoing maintenance 2) Inspections 3) Monitoring of reservoir levels 4) Mobile generators	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government support required funding. High risk areas are not included in the Risk Based Internal Audit Plan due to management intervention and funding availability.
4.	Illegal dumping	56	48	1. Law enforcement 2. Regular cleaning projects 3. Public education and awareness 4. High hotspot areas are monitored on a regular basis. 5. Implementation Plan in place to remove skips daily i.e. frequent skips are allocated to various location across all towns	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government support required funding. Internal Audit conducted an audit engagement during the 2022/2023 financial year.
5.	Ageing sewerage infrastructure	56	42	1. Implementation and monitoring of operational budget 2. Procurement and installation of generators to ensure functionality during loadshedding	X	X	<ul style="list-style-type: none"> Management intervention/ Provincial Government support required funding. Ongoing monitoring of current controls.

6.	Failure to provide effective ICT network, systems, software and effective controls	56	42	<ol style="list-style-type: none"> 1. Planned hardware and software replacement 2. Monitor ICT systems 3. Backup procedures and testing 4. Maintain Generator/UPS/Inverter 5. Backups by third party systems 	X	X	X	<ul style="list-style-type: none"> • Management intervention/ Provincial Government support required funding. • Internal Audit conducted an audit engagement during the 2017/2018 and 2018/2019 financial year.
7.	Limitation of funding to manage the municipality revenue	56	42	<ol style="list-style-type: none"> 1. Monthly Revenue and Debtor Reconciliations 2. Revenue Exception reports 3. Effective Credit Control 4. Monitor monthly meter readings 5. Monthly billing procedures 	X	X	X	<ul style="list-style-type: none"> • Management intervention/ Provincial Government support required funding. • Ongoing monitoring of current controls.
8.	Systems ineffective to manage procurement and contractors	56	42	<ol style="list-style-type: none"> 1. Signed Service delivery agreements Monitoring of contracts (depends on the scope of work) 2. Performance evaluation register 3. Dispute resolution mechanism 4. A panel of attorneys for Litigation 	X	X		<ul style="list-style-type: none"> • Internal Audit conducted an audit engagement during the 2023/2024 financial year. • Ongoing monitoring of current controls. • Auditor-General South Africa (AGSA) provides assurance on an annual basis.
9.	Technical complexity of the mSCOA classification, Version Changes and alignment	54	40.5	<ol style="list-style-type: none"> 1. Attending of workshops and training by NT,PT 2. Training and system enhancements by financial system provider 3. Manual interventions by Management 	X	X	X	<ul style="list-style-type: none"> • Auditor-General South Africa (AGSA) provides assurance on an annual basis.
10.	Non-compliance to Electricity Licensing Conditions on the Electricity Distribution Design Network Principles	49	36.75	<ol style="list-style-type: none"> 1. Electricity Master Plan 2. Maintenance Budget (Limited) 	X	X	X	<ul style="list-style-type: none"> • Management intervention/ Provincial Government support required funding. • Ongoing monitoring of current controls.



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Based on the strategic and operational risks identified in the Combined Assurance Plan, assurance was provided by the Internal Audit function during the 2023/24 financial year on the following:

- 2023/2024 Compliance Reviews: MFMA; MSA & DORA
- SCM Compliance and Procurement
- Ageing and Inadequate Roads and Stormwater
- Land Evasions & Erection of Illegal Structures
- Annual Financial Statement (prior to submission to the Auditor-General South Africa)

Conclusion

This report is drafted to inform the Council of the top ten strategic and operational risks faced by the municipality, along with the control measures implemented to mitigate these risks. Additionally, it highlights the various assurance providers who play a pivotal role in managing these risks.


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Ms. A. Vorster
Municipal Manager

Date: