30 January 2026

2025/26 2nd Quarter Performance Management (SDBIP) Review

Final Internal Audit Report

Swellendam Municipality
Internal Audit Services

Audit Ref. 2025/26 - 010

A. PETERSEN
SENIOR INTERNAL AUDITOR
(SWELLENDAM MUNICIPALITY)

This Engagement Conforms with the International Standards for the Professional Practice of Internal Auditing.

TABLE OF CONTENTS

Audit Ref No **2025/26-010**

Ms. A Vorster
Municipal Manager
Swellendam Municipality

Dear Ms. Vorster

We have the pleasure in submitting our final audit report, presenting internal audit findings and recommendations, contributing to the maturity of the control framework to increase business efficiency and effectiveness.

The results of the audit, which are presented to management, are aimed at providing assurance that risk treatments covered in the audit are adequate and effective to contribute to the management of the risks impacting management's objectives.

Please take note that this report has been prepared solely for the management of Swellendam Municipality. We do not accept any responsibility to any third party to whom the contents may be disclosed or who at their own accord, may decide to rely on it, as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the inputs and assistance from management, and we would be pleased to provide you with any further assistance and requests that you have. Please do not hesitate to contact Mr. A Petersen.

INDEPENDANCE

The Internal Audit Function of the Swellendam Municipality certifies that, we are in all respects independent, and seen as being independent, with regard to the auditing of the 2nd quarter for the period from 01 October 2025 – 31 December 2025, Performance Management review of the Municipality.

Yours sincerely,

Petersen

MR. A. PETERSEN
SENIOR INTERNAL AUDITOR
DATE: 4 February 2026

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

In accordance with the approved 2025/26 Risk-Based Internal Audit Three-year Strategy Plan, Internal Audit is required to perform quarterly audits on the Performance Management processes of the municipality.

1.2 BACKGROUND INFORMATION

Internal Audit subsequently reviewed the 2025/26 Performance Management processes, with specific emphasis on the Service Delivery and Budget Implementation Plan (SDBIP) for the 2nd quarter, 01 October 2025 – 31 December 2025.

Section 45 of the Municipal Systems Act, 2000 (MSA) requires that the results of performance measurements be audited as part of the Municipality's Internal Auditing processes. In Terms of Regulation 14 (1) of the Municipal Planning and Performance Management Regulations, 2001, of the Systems Act, it is the Municipality's responsibility to develop and implement mechanisms, systems, and processes for auditing the results of the performance measurements, as part of its internal audit processes.

In addition, the Municipal Finance and Management Act No 56 of 2003, Section 165(2) (b) (v) requires that the Internal Audit Function of a Municipality must report to the Audit and Performance Audit Committee (APAC) on matters relating to Performance Management.

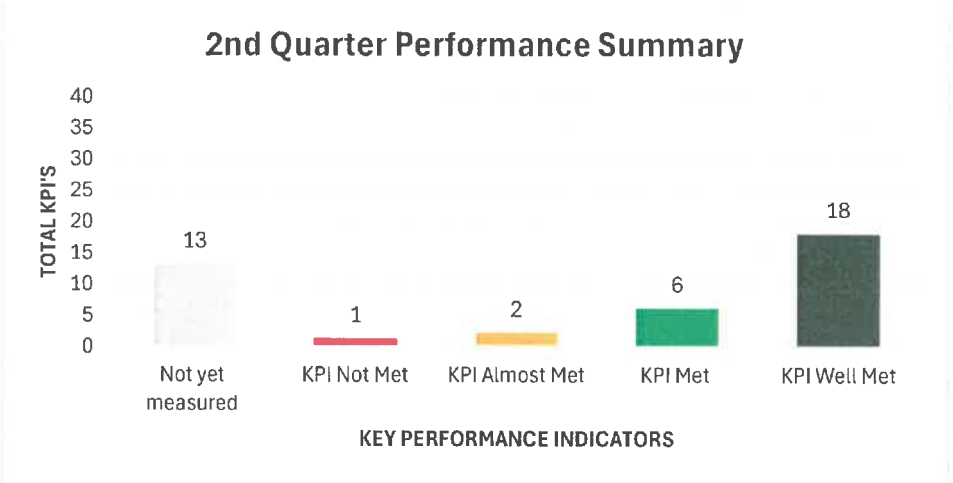
The Performance Management System at Swellendam Municipality

The National and Provincial Government have placed considerable focus on this area by issuing legislation to guide local government in the implementation and monitoring of performance management systems. Accordingly, performance management is an important process in the operations of the Swellendam Municipality as it is one of the strategic measures to monitor performance and the achievement of service delivery initiatives.

The Performance Management department resides under the Office of the Municipal Manager. The department is primarily guided by the Municipal Systems Act, the Performance Management Regulations, as well as the Council approved Performance Management Framework. All operational and compliance procedures for Performance Management have been implemented, and no significant concerns were identified by Internal Audit.

Overview of the Performance Management

The 2025/26 SDBIP consists of forty (40) KPI's, of which only twenty-seven (27) had targets for the 2nd quarter. Therefore, only twenty-seven (27) KPI's could be tested. The following performance results were noted as per the extracted Service Delivery and Budget Implementation Plan. From the 40 KPI's, only 32,5% of the KPIs could not yet be measured, 2,5% of the KPIs were not met, 5% of the KPIs were almost met, 15% of the KPIs were met, and 45% of the KPIs were well met, A more detailed breakdown of the percentages is depicted below:



1.3 PURPOSE, SCOPE, AND APPROACH

The purpose of this review was to evaluate the adequacy and effectiveness of existing controls and provide reasonable assurance that the internal controls governing the Performance Management processes are adequate, appropriate, and operating effectively and efficiently.

Our scope will include:

- The review of the actuals reported on the Top layer SDBIP for the period 01 October 2025 – 31 December 2025, and the Municipal System Act (MSA) legislation regarding the performance management processes.

Our approach will include:

- Testing the reliability, validity, and accuracy of performance information;
- Test completeness of the portfolio of evidence (POE) files; and
- Discussion of the highlighted findings with management.

1.4 INTERNAL AUDIT TEAM

Audit Team	Name	Position
Internal Audit Function of Swellendam Municipality	Mr. Ashwin Petersen	Senior Internal Auditor
	Mr. Herschelle Swart	Internal Auditor
	Mr. Xola Mahlaba	Internal Audit: Intern

1.5 MANAGEMENT'S RESPONSIBILITY IN TERMS OF INTERNAL CONTROL

Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations and processes of Swellendam Municipality in a manner that provides the Council with reasonable assurance that those risks are being managed and objectives are met. Implementing internal controls is a function of management and is an integral part of the overall process of managing operations.

Internal Control	Fraud & Error
Internal Control can be defined as a process effected by management to provide reasonable assurance relating to: - Operational Controls - Internal Financial Controls - Compliance Controls The general purpose of an audit is to provide information about the adequacy and effectiveness of the system of internal control, risk management, and governance.	Audit procedures alone, even when carried out with due professional care, does not guarantee that fraud will be detected because of the inherent limitations of an audit. Management's attention is also drawn to the fact that inherent limitations exist in the reliance on internal controls and procedures, as errors and lapses in control result from staff carelessness, misunderstanding of instructions, collusion between individuals, and management override.

1.6 INTERNAL AUDIT OPINION

From the independent review conducted and evidence obtained, the internal audit is of the opinion that the Performance Management department of the Swellendam Municipality is well established, structured, and functional, and operates within legislative requirements.

The Internal Audit Function is required to express an opinion on the adequacy and effectiveness of the governance, risk management, and control processes of the Performance Management processes.

Governance – The Performance Management Policy Framework (PMPF), together with the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA), and the other relevant policies and procedures, is instituted and followed to ensure good governance within the Performance Management processes.

Risk Management – Internal Audit is of the opinion that the risk relating to Performance Management is adequately reviewed, considered, and discussed during risk management engagements.

Control Processes – During the review of the 2nd Quarter Performance Management (SDBIP), Internal Audit noted improvement in the control environment. However, Internal Audit is of the opinion that the Performance Management function should make use of an automated system for performance information reporting in order to enhance data accuracy, ensure timely and reliable reporting, improve accountability, and support informed decision-making across the municipality.

1.7 REPORTING FRAMEWORK

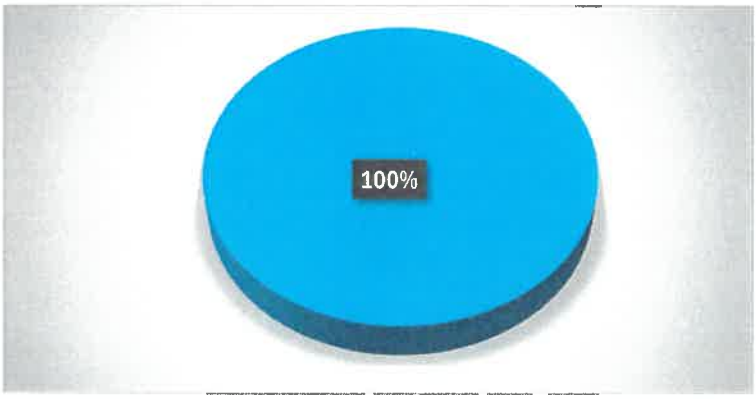
The findings identified have been broadly categorized into:

Rating	Suggested Management Action
Critical	Significant control weaknesses requiring immediate management action
Significant	Control weaknesses that are regarded as serious and require management action within a short period of time
Housekeeping	These control weaknesses do not represent a significant risk to the control environment and can normally be corrected at a minimal cost. The correction of these control weaknesses will have the effect of an improved control environment.
Positive	No action needed. Management made progress in the control environment.

In order to assist management with the allocation of resources to address the weaknesses and improve internal control, we have assigned subjective ratings to each of our recommendations. These ratings are for guidance purposes only, and management must evaluate them in the light of their own experience and risk appetite.

Individual ratings do not necessarily take into account the effect of compensating controls or control weaknesses in other areas. Therefore, individual ratings should not be considered in isolation, and their effect on other objectives and areas should also be considered.

1.8 OBJECTIVES AND SUMMARY OF RESULTS



Summary of Results	Rating of Finding
1. Significant progress was made in strengthening the control environment of Performance Management	Positive

2. RE-ASSESSMENT OF KEY RISK

Risk	Pre-audit Inherent Risk Rating	Risk Treatment / Current control processes	Post Audit Inherent Risk Rating	Executive Finding Summary	Post Audit Residual Risk Rating
Non-compliance with staff regulations - Individual performance management system.	(16) Low	• Quarterly monitoring of performance. • Signed performance agreements for senior managers and plans in place for managers reporting to SM. • Processes Facilitated by HR and Performance Officer.	(16) Low	During the review, Internal Audit noted that the municipality made significant improvements in terms of the performance management process, however it would be best practise that the municipality make use of an automated system for performance information reporting in order to enhance data accuracy, ensure timely and reliable reporting, improve accountability, and support informed decision-making across the municipality.	(20) Low

Risk Appetite Statement:

The post audit risk rating of the risk is below the risk appetite of **40** as per the risk appetite statement in the 2025/26 Risk Management Policy, and no additional measures are needed to address the issue.

3. DISTRIBUTION LIST

No	Key Strategic Official(s)	Name	Take Action	Cure Action	Information & Oversight
1.	Audit and Performance Committee	Audit and Performance Committee Members			✓
2.	Auditor-General of South Africa (ASGA)	Auditor-General of South Africa (ASGA)			✓
3.	Accounting Officer	Ms. A Vorster		✓	✓
4.	Director: Financial Services	Ms. E Wasserman			✓
5.	Acting Director: Community Services	Mr. J. Van Niekerk			✓
6.	Acting Director: Infrastructure Services	Mr. W. Treurnicht			✓
7.	Performance Risk and Compliance Officer	Mr. Z. Wiese	✓	✓	✓

4. DISCLAIMER

Please note that Internal Audit only considered and expressed an opinion based on the assessment conducted on the information and documentation made available and accepted the correctness of the instructions received.

5. ACCEPTANCE OF INTERNAL AUDIT REPORT

We agree to the audit findings and recommendations made and hereby accept the abovementioned report.

MR. Z. WIESE
PERFORMANCE, RISK, AND COMPLIANCE OFFICER
DATE:

COMMENTS:

MS. A. VORSTER
MUNICIPAL MANAGER
DATE:

COMMENTS: