SWELLENDAM MUNICIPALITY
3rd QUARTER REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE FOR THE 2025/26 FINANCIAL YEAR

We are pleased to present the Audit and Performance Audit Committee report for the Swellendam Municipality for the 3rd quarter of the 2025/26 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 of the Swellendam Municipality is well-established and operates in accordance with its mandate. In the third quarter of the 2025/26 financial year, the Committee convened on 18 March 2026 for its scheduled quarterly meeting, in accordance with the approved meeting calendar.

2. 3rd Quarter Audit and Performance Audit Committee Members and Attendance:

Members	Capacity	Meeting Attended
Mr. A. Dippenaar	Chairperson	28 August 2025 (Special Audit and Performance Audit Committee Meeting) 17 September 2025 10 December 2025 18 March 2026
Prof. N. Olivier	Member	28 August 2025 (Special Audit and Performance Audit Committee Meeting) 10 December 2025 18 March 2026
Mr. P. Silbernagl	Member	17 September 2025 10 December 2025 18 March 2026
Ms. K. Talmakkies	Member	28 August 2025 (Special Audit and Performance Audit Committee Meeting) 17 September 2025

		10 December 2025

The aforementioned meetings were well attended by the Municipal Manager, Chief Financial Officer, and Directors. However, it should be noted that Mrs. Talmakkies did not attend the meeting held on 18 March 2026

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

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

- 3rd Quarter Chief Audit Executive Progress Report
- Appointment Letter of the External Quality Assurance Service Provider
- Amendment to the 2025/26 Risk-Based Interna Audit Plan**

***The amendment entails replacing the previously planned audit engagement titled: "Traffic Infringement" with a follow-up review on the implementation of remedial actions and recommendations made by the forensic investigator appointed, who conducted an investigation within the Traffic Services Department. The APAC approved the amendment to the 2025/26 RBIAP.*

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:

- 3rd Quarter Follow-up Report
- 2nd Quarter Performance Management Report
- Water and Wastewater Treatment Networks Reports (Swellendam, Buffelsjagsrivier and Suurbraak)
- Fleet and Specialised Management Report
- Ad Hoc Request: Assessment of Partial Payment o Contractor – Erf 175 Cooper Street 77

The progress on the implementation of the approved 2025/26 Risk-Based Internal Audit Plan for the 3rd 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 third quarter. 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. This position has been vacant since June 2023, and the Senior Internal Auditor has acted in that vacant capacity since. The vacant position was deliberated extensively during the meeting, and it was resolved by the Municipal Manager that the position will not be filled in the forthcoming financial year due to financial constraints. However, the Audit and Performance Audit Committee (APAC) expressed its dissatisfaction with the municipality's decision, noting that the core mandate of the Internal Audit Function may not be fully achieved should the function continue in its current capacity.

4. Internal Control Systems

Internal control refers to the system of controls and directives designed to provide cost-effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed, and the municipality fulfills its mandate in compliance with all relevant statutory and governance requirements.

The Audit and Performance Audit Committee has diligently reviewed the Internal Audit engagement reports submitted by the Internal Audit Function. Based on these reports, the Committee acknowledges the existence of substantial internal controls while also recognising specific control deficiencies. In its oversight capacity, the Committee will continue to monitor management's progress in strengthening the internal control framework and related processes within the municipality. Additionally, during the meeting, the Committee observed the various challenges the municipality continues to face.

5. Risk Management/ Combined Assurance/ Business Continuity Framework

The Audit and Performance Audit Committee reviewed the municipality's risk management and combined assurance processes. Furthermore, the Committee conducted a comprehensive assessment on the following documents related to risk management:

- 2025/26 Strategic and Operational Risk Register
- 2025/26 3rd Quarter Fraud and Risk Management Committee (FARMCO) Chairpersons' Report
- Fraud and Risk Management Committee (FARMCO) Meeting Minutes: 08 December 2025
- Combined Assurance Model
- Fraud Incident Register

The Audit and Performance Audit Committee received a formal presentation on the combined assurance plan, which was aligned with the 2025/26 strategic and operational risk register. The Committee expressed satisfaction with the progress made in implementing risk management practices across the municipality and commended the effectiveness of the municipality's risk management and combined assurance processes.

6. Performance Management

In terms of Section 14(4) (a) of the Regulations, the Audit and Performance Audit Committee have 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 3rd quarter, the committee reviewed the 2025/26 2nd Quarter Performance Management and Section 52 reports prepared by the Performance Officer.

7. Accounting/ Financial Information and Reporting

The Audit and Performance Audit Committee comprehensively reviewed the following Financial In-Year Reporting for the 3rd quarter:

- Section 71 (January 2026)
- Section 52 (Quarterly) and
- Supply Chain Management Quarterly Implementation Report
- Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFW)

The Municipal Manager provided a report on matters related to fraud, as well as unauthorised, irregular, fruitless, and wasteful expenditures. While the Audit and Performance Audit Committee is satisfied with the municipality's financial management processes, it acknowledges the ongoing challenges posed by budgetary and financial constraints.

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

The Chief Financial Officer provided a comprehensive overview of the ICT projects, highlighting that the municipality has implemented Artificial Intelligence (AI), including Copilot. However, it was noted that staff require appropriate training to effectively utilise the tool in order to realise its full benefit.

9. Conclusion

The Committee expressed satisfaction with the ongoing progress made by the Swellendam Municipality in improving 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: 19 March 2026