2025/2026

Audit & Performance Audit Committee Annual (including Quarter 4) Performance Report

1. Introduction

Section 166 of the Municipal Finance Management Act No. 56 of 2003 requires every Municipality to establish and maintain an Audit Committee. The independent Audit Committee must advise the Municipal Council, the political office-bearers, the Accounting Officer, and the management staff of the municipality relating to matters stipulated under the Municipal Finance Management Act section 166.

The Audit and Performance Audit Committee (APAC) of the Swellendam Municipality (hereafter referred to as *the Committee*) is well established and functioning as required. All the members of the Audit Committee are also members of the Performance Audit Committee. The Committee met five times during the 2025/2026 financial year.

2. APAC Members and Attendance:

Members	Capacity	Dates of Meetings Attended
Mr. A. Dippenaar	Chairperson	28 August 2025 *(Special Audit and Performance Audit Committee Meeting)* 17 September 2025 10 December 2025 18 March 2026 25 June 2026
Mr. P Silbernagl	Member	17 September 2025 10 December 2025 18 March 2026 25 June 2026
Prof. N. Olivier	Member	28 August 2025 *(Special Audit and Performance Audit Committee Meeting)* 10 December 2025 18 March 2026 25 June 2026
Ms. K. Talmakkies	Member	28 August 2025 *(Special Audit and Performance Audit Committee Meeting)* 17 September 2025 25 June 2026

The abovementioned meetings were well attended by the Accounting Officer and the other Executive Management team members.

3. Executive Summary

Based on the reports submitted and reviewed by the Audit and Performance Audit Committee, the following observations were made in accordance with the requirements of Section 166 of the Municipal Finance Management Act No. 56 of 2003:

1st Line of Assurance	2nd Line of Assurance	3rd Line of Assurance
Governance	Performance Management	External Audit
Internal Control	Compliance Management	Internal Audit
Finance/ Financial Information	Risk Management	
ICT Services		

Legend

Green	Provides Assurance
Yellow	Provides Limited/ Some Assurance
Red	Provides No Assurance

(a) Governance

In terms of the governance processes and structures adopted by the municipality, it was imperative to note that the municipality was undergoing organisational restructuring. However, the municipality was challenged with capacity, staffing, and funding constraints. These matters were regularly communicated to the Audit and Performance Audit Committee during the scheduled quarterly meetings.

(b) Internal Controls

Internal control refers to the system of measures and directives implemented to provide cost-effective assurance that municipal assets are safeguarded, liabilities and working capital are effectively managed, and that the municipality fulfils its mandate in accordance with applicable statutory and governance requirements.

The Audit and Performance Audit Committee diligently evaluated the internal audit engagement reports submitted by the Internal Audit Function. Based on its review, the Committee acknowledged the existence of sound internal controls while also identifying certain control deficiencies. In executing its oversight role, the Committee closely monitored the efforts made by management to strengthen the internal control environment within the municipality.

(c) Finance/ Financial Information

During the quarterly Audit and Performance Audit Committee meetings, the following Financial In-Year reports were submitted for advice and input:

- 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 2024/2025 Auditor General South Africa (AGSA) Audit and Management reports to the Audit and Performance Audit Committee. Moreover, the Accounting Officer presented the 2024/2025 Annual Report and conveyed it to the Audit and Performance Audit Committee for review and comment.

The Chairperson of the Audit and Performance Audit Committee and its members also attended meetings with the Auditor-General South Africa, alongside the Internal Audit Function and the Executive Municipal Management Team. During these meetings, the audit progress and the findings identified during the execution process were discussed.

The Audit and Performance Audit Committee believes that the Chief Financial Officer (CFO) possesses the appropriate qualifications and experience to perform her responsibilities effectively. The Audit and

Performance Audit Committee also found the expertise and adequacy of resources of the finance function appropriate. The committee evaluated the Annual Financial Statements of the Swellendam Municipality for the period 01 July 2024 to 30 June 2025, using various financial ratios and the high-level Internal Audit review, which was submitted to the Audit and Performance Audit Committee to provide oversight. The Audit and Performance Audit Committee has also reviewed and discussed the Auditor General's Management Report and final Audit Report with the Municipal Manager and Senior Management.

(d) Information and Communication Technology (ICT)

Information and Communication Technology (ICT) is a rapidly evolving discipline within the public sector, and management must allocate adequate resources to ensure the effective functioning of the ICT environment. The municipality has appointed an ICT Administrator and is making steady progress towards fully re-establishing the functionality of the ICT unit. Furthermore, the Audit and Performance Audit Committee received quarterly updates on the municipality's ICT environment, as this was included as a standing agenda item at each quarterly meetings.

(e) Performance Management and Compliance Requirements

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 Municipal Council; 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 Chairperson attended the 2024/25 mid-year performance evaluation for senior management meeting and provided independent oversight.

(f) Risk Management

The Audit and Performance Audit Committee evaluated the effectiveness of the risk management processes implemented by management during the financial year. The Committee raised concerns regarding certain aspects of the municipality's risk management practices and provided constructive recommendations aimed at strengthening and enhancing the overall risk management framework to better address emerging risks facing the municipality. During the scheduled quarterly meetings, the risk and compliance officer furnished the Audit and Performance Audit Committee with a comprehensive update on the municipality's risk management activities. In addition, the Audit and Performance Audit Committee undertook a thorough review of the following documents pertaining to risk management:

- Strategic and Operational Risk Register
- Quarterly Fraud and Risk Management Committee Chairpersons' Report
- Fraud and Risk Management Committee Meeting Minutes
- Combined Assurance Plan
- Risk Management Strategic documentation

(g) External Audit (Auditor-General of South Africa)

The Management Report for the 2024/25 financial year was submitted to the Audit and Performance Audit Committee for review and input. The Audit and Performance Audit Committee was pleased with the audit opinion obtained from the Auditor-General South Africa.

(h) Internal Audit

The Swellendam Municipality has an in-house Internal Audit function. The structure of the function makes provision for the following posts, namely: Chief Audit Executive (1 post: Vacant), Senior Internal Auditor (1 post: Filled), Internal Auditor (1 Post: Filled), and Internal Audit Intern (1 post: Filled). Currently, the structure has one vacant position, that of Chief Audit Executive.

In terms of the approved 2025/26 Internal Audit Three-Year Rolling Strategic Plan for the period from 01 July 2025 to 30 June 2028 and the annual operational plan, the following audit engagements were conducted and submitted to the Audit and Performance Audit Committee during the quarterly meetings:

Assurance Engagements:

- 2024/25 Compliance Reviews: MFMA; MSA & DORA
- 2024/25 Annual Performance Management (SDBIP) Review
- 2024/25 Annual Financial Statements (AFS) High-Level Review
- Internal Audit Follow-Up Review (for every quarter)
- 1st Quarter SDBIP Performance Review
- Fleet and Specialised Management Review
- 2nd Quarter SDBIP Performance Review
- Water and Wastewater Networks Review (Swellendam, Buffelsjagsrivier, Suurbraak and Barrydale Towns)
- Overtime Management Review
- SCM Compliance and Procurement Review
- 3rd Quarter SDBIP Performance Review
- Recruitment and Selection Review
- Recovery of Traffic Infringements Review
- Internal Quality Assurance Review

Other Engagements:

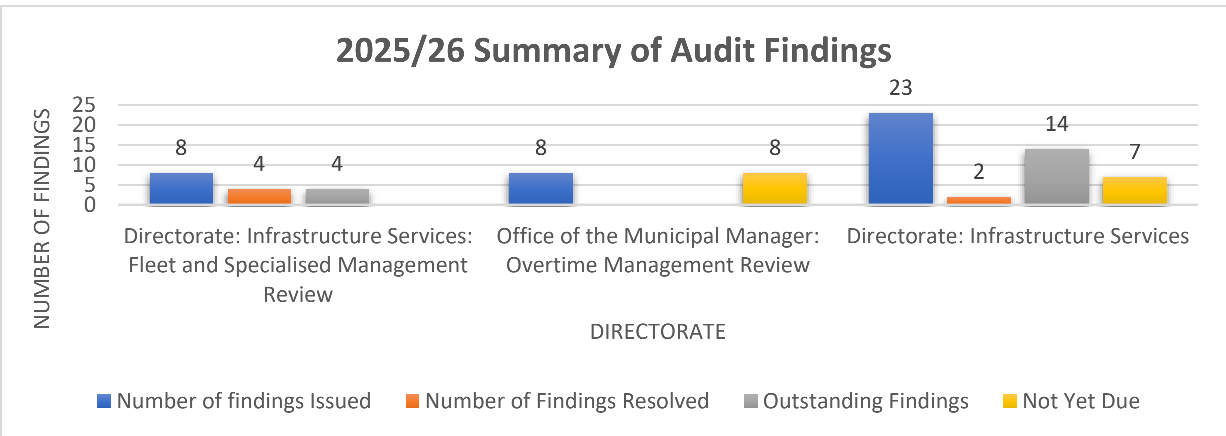
- Ongoing Risk Management Support
- Ongoing Management Support (if and when needed)
- Asset Verification (on behalf of the Auditor-General South Africa)
- Employee Verification (on behalf of the Auditor-General South Africa)
- Annual Stock Count (on behalf of the Auditor-General South Africa)

Ad Hoc Activities:

- Monthly Municipal Water Accounts Payment Review
- Leave Management and Medical Disability Processes Review
- Library Cash Handling & Revenue Collection Processes Review
- Assessment of partial payment to contractor – erf 175 Cooper Street 77 Review
- Readiness Assessment for the External Quality Assurance Review on the 2024/25 financial year Review

Follow-Up Audit Engagements:

Internal Audit conducts quarterly follow-up audit engagements and presents comprehensive follow-up reports to the Audit and Performance Audit Committee.



From the graph above, it is clear that the following internal audit reports were issued with findings within the respective directorates of:

- Directorate: Infrastructure Services: Water and Wastewater Treatment Network Review (Swellendam, Suurbraak and Buffelsjagsrivier)
- Directorate: Infrastructure Services: Fleet and Specialised Management Review
- Office of the Municipal Manager: Overtime Management Review

A total of 39 findings were issued, of which 6 were resolved, 18 are outstanding, and 15 are not yet due. All 15 findings identified are not yet due for implementation and will be followed up closer to their respective due date(s).

4. External Quality Assurance Review Results of the Internal Audit Function

SAB&T Chartered Accountants Incorporated T/A Nexia SAB&T was appointed to conduct an External Quality Assessment of the Internal Audit Function of Swellendam Municipality. This was done to ensure that the Internal Audit Function has conformed to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards 2024 and Topical Requirements.

Based on the External Quality Assessment conducted, we can confirm that the Internal Audit Function of Swellendam Municipality achieved a “Fully Conforms” rating effective on 1st June 2026.

5. Internal Audit Awareness in May 2026

During May 2026, the Swellendam Municipality’s Internal Audit Function successfully commemorated Internal Audit Awareness Month through a series of engaging and informative initiatives aimed at enhancing awareness and promoting collaboration across the Swellendam Municipality.

A key highlight of the campaign included the development of an awareness poster by the Media and Communication Officer, emphasising the critical role of Internal Audit and its alignment with the Global Internal Audit Standards (GIAS). This initiative reinforced the importance of governance, risk management, and internal controls within the Municipality.

To further drive engagement, weekly themed activities were introduced, encouraging voluntary participation from all staff members. Week two featured an interactive *“Spot the Audit Terms”* activity based on a fictional project in Railton, while week three focused on fostering teamwork through a *“Collaboration through Partnership Quiz.”* These initiatives not only enhanced understanding of audit concepts but also strengthened collaboration across departments.

6. Audit and Performance Audit Committee conducted an assessment of the Internal Audit function of Swellendam Municipality.

On an annual basis, the Audit and Performance Audit Committee must evaluate and assess the effectiveness of the Internal Audit Function of Swellendam Municipality. The Internal Audit Function was evaluated and assessed by the Audit and Performance Audit Committee on 02 July 2025. Questions were asked using a response rating **(4: Agree/Excellent; 3: Agree/Good; 2: Disagree/Fair; and 1: Strongly Disagree/Poor)**. A total of 26 questions were asked, to which each Audit and Performance Audit Committee member had to respond with an appropriate rating. The questions were structured as follows:

- Question(s) 1 – 7: Charter, Structure, and Positioning
- Question(s) 8 – 10: Internal Audit Staff
- Question(s) 11 – 13: Relationship with Management
- Question(s) 14 – 17: Relationship with the Audit and Performance Audit Committee

- Question(s) 18 – 21: Performance and Internal Audit Strategic Plan
- Question 22: Management of the Internal Audit Function
- Question(s) 23 – 27: Other Support Function and Conformance with the Global Internal Audit Standards (GIAS)

The Audit and Performance Audit Committee provides independent oversight to the Internal Audit Function during the assessment. In addition, regularly assessing the Internal Audit Function aids in ensuring that issues raised are addressed and/or mitigated by appropriate leadership, thereby increasing the value added by the Internal Audit Function to the Swellendam Municipality. The following comments and/or concerns were raised during the evaluation by the Audit and Performance Audit Committee members:

- The Internal Audit Function is significantly understaffed and has only one qualified Internal Auditor with no Chief Audit Executive.
- The Internal Audit Function assist with too much administrative support without the pre-approval of the Audit and Performance Audit Committee.
- Assist management in conducting strategic assessments to improve service delivery.

The Internal Audit Function demonstrated the following notable strengths:

- Exemplary products of the highest quality.
- Excellent work without a fully appointed Chief Audit Executive on a day-to-day basis

Despite the internal challenges encountered by the Internal Audit Function, the Audit and Performance Audit Committee was satisfied with its overall performance.

7. Quarterly Reporting to Council

The Audit and Performance Audit Committee provides quarterly reports to the Municipal Council regarding matters specified in Section 166 (2) of the Municipal Finance Management Act. These reports include detailed minutes of each quarterly Audit and Performance Audit Committee Meeting held, together with a report from the Audit and Performance Audit Committee Chairperson.

Furthermore, the quarterly reports, together with the Audit and Performance Audit Committee Chairperson's reports, are presented to the Municipal Public Accounts Committee (MPAC) for consideration, review, and discussion.

8. Concerns & Recommendations

The Audit and Performance Audit Committee has expressed concerns regarding the capacity constraints encountered by the Internal Audit function, both staffing and funding. The Audit and Performance Audit Committee recommended that the administration prioritise filling the vacant Internal Audit positions, particularly the Chief Audit Executive post, as this is a fundamental position for the function to remain sustainable and add value to the municipality. In terms of compliance requirements, the Audit and Performance Audit Committee advocates for the implementation of these recommendations to ensure full compliance by the Municipality. Based on the External Quality Assurance Review, the Internal Audit Function obtained a "*General Conformance*" due to the vacancy of the Chief Audit Executive. All Chief Audit Executive responsibilities are currently being performed by the Senior Internal Auditor, while the Senior Internal Auditor's responsibilities have been assumed by the Internal Auditor. This arrangement has resulted in an increased workload for the Internal Audit Function staff.

Furthermore, the Audit and Performance Audit Committee has raised concerns about the effectiveness of the risk management function. The Audit and Performance Audit Committee has recommended that the municipality allocate sufficient resources to enhance the risk management framework, ensuring comprehensive oversight of risks across the municipal landscape and implementing appropriate controls to mitigate both inherent and emerging risks.

9. Conclusion

Overall, and subject to the issues raised in the report, the Audit and Performance Audit Committee is pleased with the continuous progress made by the Swellendam Municipality and its Internal Audit function in enhancing the overall governance, risk management, and control environment.

On behalf of the Audit and Performance Audit Committee.

A Dippenaar

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MR. A. DIPPENAAR
AUDIT AND PERFORMANCE AUDIT COMMITTEE CHAIRPERSON
DATE: 30 JUNE 2026