

Matatiele Local Municipality

Audit Committee Report for the year ended 30 June 2022

I am pleased to present the audit committee report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the following four (4) external, non-executive members listed hereunder and should meet at least four (4) times per annum as per its approved terms of reference.

Name of member	Number of meetings attended
Ms. N Ntshanga	5/5
Mr. S Nombebe	5/5
Mr. Z Zulu	5/5
Mr. AD Gonzalves	5/5

All members are external and therefore independent with no conflicts of interests being reported.

Audit committee meetings

Five (5) meetings were held during the financial year as follows:

Meeting	Date	Type of meeting
1.	27 July 2021	Ordinary
2.	25 August 2021	Special
3.	18 October 2021	Ordinary
4.	25 January 2022	Ordinary
5.	25 April 2022	Ordinary

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 of the MFMA and has adopted formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and discharged all its responsibilities as contained therein during the year.

The effectiveness of internal controls

In line with the MFMA, the internal audit function provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. Improvements in the control environment is required in risk management, expenditure management, procurement and contract management, performance management reporting, financial reporting, and consequence management. Effective monitoring of controls to ensure compliance with laws and regulations require strengthening.

Internal controls over financial reporting requires the diligent implementation of preventative controls in a timely manner to ensure that financial reporting at year end is improved. Management is encouraged to strengthen oversight over the effective implementation of preventative controls with respect to expenditure management, procurement and contract management, performance management reporting, financial reporting, and consequence management.

Internal audit

The committee reviewed and approved the internal audit charter and the risk based annual internal audit plan. It reviewed the work performed by internal audit on a quarterly basis and the implementation of internal audit recommendations. The audit committee, although satisfied with the internal audit function to address some of the risks pertinent to the municipality, it raises the concern that management did not implement or adequately implement the recommendations of the internal auditors

as there were repeat findings also identified and raised by the external auditors over the areas that internal auditors had reviewed. The internal audit unit's effectiveness is hampered by management not implementing the recommendations of the unit.

The audit committee is satisfied that the internal audit function maintained its independence and objectivity throughout the under review.

External audit - Auditor General of South Africa (AGSA)

The audit committee reviewed and discussed the audited financial statements to be included in the annual report with the AGSA, reviewed the AGSA's audit and management report and management's response thereto, reviewed the municipalities compliance with legal and regulatory provisions, and the significant adjustments resulting from the audit. The annual financial statements are prepared in accordance with the South African Standards of Generally Recognized Accounting Practice and in the manner required by the MFMA and DoRA. The audit committee concurs with and accepts the AGSA's audit report on the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the AGSA.

Recommendations

The audit committee recommends that:

- Management implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial information and compliance with legislation,
- The CFO must ensure that adequate and proper reviews be carried out on the draft set of annual financial statements to ensure that material errors are identified and corrected in a timely manner prior to submission to the AGSA,
- The CFO must ensure that unauthorized expenditure is prevented by adequately budgeting for non-cashflow items relating to depreciation and debt impairment,
- The CFO implement preventative controls to ensure that quotations are not accepted from bidders whose tax matters had not been declared by the South African Revenue Services to be in order,
- The Accounting Officer must continue to place acute focus on the preventative controls to ensure that performance management reporting is credible at year end,
- The Accounting Officer must ensure that the agreed upon recommendations of internal audit and the audit committee are implemented in a timely manner,
- The Accounting Officer must ensure that management is held accountable for the non-implementation of agreed upon internal audit recommendations,
- Management continue to cooperate with the internal audit function to improve the current control environment through the timely implementation of recommended actions,
- Follow up audits be completed on a quarterly basis to prevent recurrence of repeated findings,
- where controls are found to be inadequate, consultative internal audit engagements be implemented to guide management on improving policies and procedures through a gap analysis approach,
- the internal audit function be capacitated with funding to employ outside service providers to assist in discharging internal audit engagements that require specialist internal audit skills and competencies in the areas of financial reporting, information technology and value for money audits,

- Continue focus on improving debt collection to reduce the budgeted amount for debt impairment, and
- Increase spending on repairs and maintenance of infrastructure assets.

Conclusion

The audit committee wishes to thank Council, the Accounting Officer, Management and the administrative staff, the AGSA for their cooperation. The audit committee relies extensively on the work of internal audit. The audit committee expresses its gratitude to the Manager: Internal Audit for her assistance and cooperation throughout the financial year.

A handwritten signature in black ink, appearing to read 'A. D. Gonzalez', is written over a horizontal line. The signature is stylized with a large 'A' and 'D' circled together.

CHAIRPERSON OF THE AUDIT COMMITTEE

26 January 2023