

**THE AUDIT COMMITTEE OF THE MATATIELE LOCAL MUNICIPALITY  
(HEREINAFTER REFERRED TO AS “THE MUNICIPALITY” OR “MLM”)  
PRESENTS THE FOLLOWING REPORT TO THE HONOURABLE SPEAKER  
COUNCILLOR NOMASOMI MSHUQWANA ON ITS ACTIVITIES AND  
FUNCTIONS FOR FINANCIAL YEAR ENDING 30<sup>TH</sup> JUNE 2019:**

**1 MEMBERS OF THE COMMITTEE**

**1.1 MEMBERS**

Mr. T.W. Tsabo	Audit Committee Chairperson
Mr. B. Mdletshe	Audit Committee Member
Mr. W. Mushohwe	Audit Committee Member
Ms A. Martinson	Audit Committee Member
Mr. M. Nciki	Audit Committee Member

**1.2 SHARED SERVICES AUDIT COMMITTEE MEMBERS**

Advocate. T. Mgidlana	Audit Committee Chairperson
Ms. N. Mba (CA)SA	Audit Committee Member
Mr. Z. Zulu	Audit Committee Member

**2 MEETINGS:**

**2.1** The Audit Committee held meetings on the following dates during the 2018/2019 financial year:

- (a) 27<sup>th</sup> August 2018** – Ordinary Audit Committee meeting
- (b) 18<sup>th</sup> January 2019**- Ordinary Audit Committee meeting
- (c) 26<sup>th</sup> April 2019**- Ordinary Audit Committee meeting

**2.2 Content of discussions: Ordinary Audit Committee meeting – 27 August 2018**

The following reports were discussed:

**A.1 Internal Audit Reports**

- (a)** Approval of annual audit plan

**A.2 Further documents and reports considered**

- a)** Second draft annual financial statements 2018/19

**2.3 Contents of discussions: Ordinary Audit Committee meeting- 19<sup>th</sup> January 2019**

The following report was discussed:

**A.2 Further documents and reports considered**

- a)** Auditor General Audit Report
- b)** Improvement Plan (Audit Action Plan) 2017/2018

- c) Draft Annual Report 2017/2018
- d) Audit Committee Charter 2018/2019 (Review)
- e) Internal Audit Charter 2018/2019 (Review)

## **2.4 Contents of discussions: Ordinary Audit Committee meeting- 26 April 2019**

The following reports were discussed:

### **C.1 Internal Audit Reports**

- a) Projects, Operations and Maintenance Management Review
- b) Applications Controls Management Review
- c) General Controls Management Review
- d) Electricity Management Review
- e) Development Planning Management Review
- f) Audit of Performance Information Q1, Q2 and Q4 (17/18)

### **C.2 Further documents and reports considered**

- a) Audit Improvement Plan 17/18
- b) Quality Assurance Improvement Programme Register
- c) Monitoring Tool Register
- d) Interim Financial Statements as at 31 December 2018
- e) Draft Annual Report 17/18
- f) Risk Management Report
- g) Report on assessment of Managers

## **3 TERMS OF REFERENCE**

The Audit committee operates in terms of the Audit Committee Charter as well as terms which are set out in appointment letters and performance contracts subject to the provisions of Section 166 of the MFMA and Circular 65. In particular, the Committee emphasises that its overall objective is to ensure that good corporate governance is observed and practiced by the Municipality. In particular, the purpose is to assist the Council in the course of the Council fulfilling and achieving its developmental objectives which are to deliver a quality service to ratepayers, service consumers and stakeholders utilizing minimum resources, while creating and bringing about a self-sufficient municipality.

## **4 RISK AND INTERNAL AUDIT UNITS**

### **4.1 INTERNAL AUDIT UNIT**

The Committee believes that this Unit is functioning properly and is continuing to develop its capacity.

#### 4.2 **MUNICIPAL RISK UNIT**

The Committee believes that this unit needs to be strengthened in order to improve its functionality and be able to assist the organisation to improve its risk management systems and understanding.

### 5 **COMPLIANCE WITH LAWS AND REGULATIONS**

#### 5.1 **PERFORMANCE REPORTS AND MONTHLY FINANCIAL STATEMENTS**

The Performance Information audited contains sufficient reporting and information. The contents thereof appeared to be an accurate and fair reflection of the performance of the Municipality in its statutory, public and other obligations and duties. The committee believes that this area is in constant improvement state and it will be monitored on on-going basis.

#### 5.2 **LEADERSHIP, GOVERNANCE AND PERFORMANCE MANAGEMENT**

The Audit Committee is generally satisfied with leadership and management in the Municipality. Increased attendance by Senior Management to Audit Committee Meeting will contribute to more effective discussion of issues raised in reports and will furthermore assist in speedily addressing problems areas as and when they are identified.

#### 5.3 **RISK ASSESSMENT AND MANAGEMENT**

The Committee notes the commitment of Management in putting in place effective strategies and plans for risk assessment and management by all its directorates. This management responsibility will be monitored on an ongoing basis by the Committee. The Audit Committee notes that Risk Assessments have been carried out and that a Risk Committee is in place to identify, monitor and address risks. Both audit and risk committee will benefit from increased sharing of information for their effective and efficient running.

#### 5.4 **FRAUD PREVENTION AND RELATED POLICIES**

The Committee noted efforts by the Internal Audit unit to exposing potential and real fraud cases within municipal directorates and assisting management in dealing effectively with such incidents. Policies and plans are in place to ensure the continued effective management of risk and minimization of fraud within the Municipality. The Fraud Prevention Plan addresses the risk of fraud and must be reviewed with reference to the risk register and possible fraud risks that may arise from time to time.

#### 5.5 **PERFORMANCE MANAGEMENT**

The committee notes the improvement on performance management of the municipality and would like to encourage the organization to continue working towards building, maintaining as well as monitoring good performance management systems.

## 6 HIGH RISK AREAS

The Committee noted that the following reports carried “**HIGH**” Risk ratings by the Internal Auditors and stressed the need for Management to attend to all undertakings made and remedial steps suggested in such reports:

- (a) ICT general controls
- (b) ICT application controls
- (c) Electricity management
- (d) Developmental planning
- (e) Revenue management

The above areas remained a concern and required constant review and attention.

## 7 CONCLUSION AND RECOMMENDATION

### **Auditor General Audit opinion**

The Audit Committee further noted the Auditor General Audit report outcome for 2018/2019 financial year and congratulate the municipality for maintaining the unqualified audit status. However, the Audit Committee is aware of findings that are contained in the report, which is of the view that a lot of work still needs to be done to address such. The committee has noted the efforts of management in addressing the findings, by engaging in development and implementing of audit improvement plan.

### **Quality Assurance Review.**

We commend the municipality for developing and implementing the Quality Assurance tool in the 2018/2019 financial year. We believe that this will enhance the effectiveness, quality and value received from Internal Audit and align key stakeholder expectations. We believe this further help the Internal Audit Function to meet these expectations and secure the required resources.

The Committee humbly requests Council to note the contents of this report and accept same.

Signed at Matatiele on the day of 10 March 2020



---

**Advocate TW Mgidlana**  
Chairperson of the Audit Committee (Shared Service)