

VOLUME III: REPORT OF THE AUDIT COMMITTEE

The Audit Committee presents its report for the financial year ended 30 June 2018.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

As requested by its Charter, the Audit Committee listed below, is required to meet at least four times per annum, although additional meetings may be scheduled as the need arises. Six meetings were held during the 2017/18 financial year.

	<u>Meetings Attended</u>
Mr R Kingwill	6
Dr W Sewell	6
Mr T Arendse	6
Ms K Montgomery	5

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has as far as possible, complied with the responsibilities arising from its terms of reference, including relevant legislative requirements.

REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee considered the Report of the Auditor-General for the financial year ended 30 June 2018 which was an unqualified audit opinion confirming that the financial statements present fairly, in all material respects, the financial position of the municipality as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act no.56 of 2003)(MFMA) and the Division of Revenue Act, 2016 (Act No. 3 of 2017) (DoRA).

The Audit Committee is of the opinion that the audited annual financial statements, for the financial period ended 30 June 2018, should be accepted and read in conjunction with the Report of the Auditor-General.

PERFORMANCE MANAGEMENT

The Audit Committee reviewed the quarterly performance results presented by Management together with the quarterly reports of Internal Audit on the verification of the reported performance results. The Committee noted the continued efforts made by Management to ensure a credible performance management system and reliable performance results.

The Auditor-General's Final Management Report indicates that the Municipality should strengthen reconciliation and review controls to create a control environment that supports reliable financial and performance reporting when processing and recording transactions.

INTERNAL CONTROL AND RISK MANAGEMENT

The Audit Committee received quarterly progress reports from Internal Audit on the execution of the revised operational internal audit plan and the results of the audits conducted. Where instances of control weakness were reported, Management committed to implementing the necessary action plans to address the reported control weaknesses. Progress will be reviewed at the quarterly meetings.

The Audit Committee reviewed the risk profile of the Municipality when the Internal Audit Plan priorities were determined. A member of the Audit Committee is co-opted to serve on the Fraud and Risk Management Committee (FARMCO) of the Municipality. The Audit Committee commends the progress made towards embedding a risk management culture in the Municipality and is encouraged by the maturity reached in this area. Whilst the number of vacant funded positions has been reduced the Audit Committee remains concerned about the impact of vacancies on the control breakdowns/weaknesses especially in the area of financial and asset management and reporting.

The Audit Committee notes that the Auditor-General reported significant deficiencies in internal control which requires management's attention.

CONCLUSION

The Report of the Auditor-General indicates that the audit outcomes have regressed from the prior year to being financially unqualified with other matters in the current year.

Management is encouraged to address all matters raised by the Auditor-General as well as Internal Audit to ensure the necessary improvement in the systems of internal control.

The Audit Committee wishes the Municipal Council, Executive Mayor, City Manager, Municipal Management and staff success in their continued quest to make Drakenstein "A city of excellence".



KIM MONTGOMERY
AUDIT COMMITTEE CHAIRPERSON

Date: 10 January 2019