

<b>REPORT OF THE AUDIT COMMITTEE TO THE EXECUTIVE MAYORAL COMMITTEE AND THE COUNCIL OF THE DRAKENSTEIN MUNICIPALITY</b>
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The Audit Committee presents its report for the financial year ended 30 June 2015.

#### **AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

As requested by its Charter, the Audit Committee listed below, is required to meet at least 4 times per annum, although additional meetings may be scheduled as the need arises. Four meetings were held during the 2014/15 financial year.

	<u>MEETINGS ATTENDED</u>
Ms. R. Jaftha (Chairperson – Resigned 25 March 2015)	3
Mr. R. Kingwill (Chairperson - Appointed 02 April 2015)	4
Dr. W. Sewell	4
Adv. M. Mdludlu	4
Mr. G. Smit	4

The term of office of the above-mentioned Audit Committee members ended on 31 May 2015.

#### **AUDIT COMMITTEE RESPONSIBILITY**

The 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 Committee is pleased that the Auditor-General issued an unqualified audit opinion with no other matters on the financial statements of the municipality for the year ended 30 June 2015. These financial statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003)(MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No 10 of 2014) (DoRA).

The Committee is of the opinion that the audited financial statements should be accepted and read together with the Report of the Auditor-General.

#### **PERFORMANCE MANAGEMENT**

The Committee reviewed the quarterly performance results presented by Management as well as the quarterly reports of Internal Audit on the verification of the reported performance results. The

Committee noted the success of the effort made by Management to ensure a credible performance management system and reliable performance results.

This is reflected in the positive outcome of the Auditor-General's review of the Municipality's predetermined objectives. Management is further encouraged to ensure that the business processes underlying the preparation and presentation of performance information is further embedded and that management oversight of reported results is strengthened.

#### **INTERNAL CONTROL & RISK MANAGEMENT**

The 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. Instances of control weakness were reported. The Committee ensured that Management committed to implementing the necessary action plans to address the reported control weaknesses. These will be reviewed at our quarterly meetings.

The lack of Internal Audit human resource capacity and skills remained an area of concern as it impacts on the extent of assurance that can be provided on the Municipality's systems of internal control, risk management and governance processes. Appointments subsequent to the year-end have addressed most of these concerns.

The Committee reviewed the risk profile of the Municipality when the Internal Audit Plan priorities were determined. A member of the Committee has been co-opted to serve on the Fraud and Risk Committee (FARMCO) of the Municipality. The Committee again raised concern regarding the slow pace of creating risk management capacity in the Municipality. This has affected the progress of embedding a risk management culture in the processes of the Municipality. This will continue to receive attention of the incoming Audit Committee.

The Committee also noted the Auditor-General's report that no significant deficiencies were identified in internal control.

#### **CONCLUSION**

The Audit Committee congratulates the Management team on achieving a clean audit opinion and wishes the Municipal Council, Executive Mayor and Municipal Management and staff success in their quest to make Drakenstein a "Place of Excellence built on cost-effective outcomes".



Ronnie Kingwill

Audit Committee Chairperson

Date: 30 November 2015