

**REPORT OF THE AUDIT COMMITTEE TO THE EXECUTIVE MAYORAL COMMITTEE AND COUNCIL OF  
THE DRAKENSTEIN LOCAL MUNICIPALITY**

The Audit Committee presents its report for the financial year ended 30 June 2014.

**AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

As required 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. Seven meetings were held during the 2013/14 financial year.

**MEETINGS ATTENDED**

Ms R. Jaftha	7
Dr W. Sewell	7
Mr G. Smit	7
Adv. M. Mdludlu	7
Mr R. Kingwill	7

**AUDIT COMMITTEE RESPONSIBILITIES**

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 2014. 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 2 of 2013) (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 are strengthened.

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

The Committee received quarterly progress reports from Internal Audit on the execution of the 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. The Committee has also implemented a tracking mechanism which enables the Committee's oversight of both Management implementation of action plans as well as Internal Audit's responsibility to confirm the adequacy and effectiveness of control enhancements once addressed by management. The lack of Internal Audit human resource capacity and skill remains 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.

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 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.

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

#### **CONCLUSION**

The Audit Committee wishes the Municipal Council, Executive Mayor and Municipal Management and staff success in their quest to make Drakenstein a "Place of Excellence".

**Rozan Jaftha CA(SA)**  
Audit Committee Chairperson

Date: 17.12.2014