

## VOLUME III: REPORT OF THE AUDIT COMMITTEE

The Audit Committee presents its report for the financial year ended 30 June 2019.

### 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. Eight meetings were held during the 2018/19 financial year.

	<u>Meetings Attended</u>
Mr. T. Arendse (CA (SA)) (Resigned 21 October 2018)	2
Ms. Kim Montgomery (B.Com (Law) (Re-appointed 01 August 2018)	8
Mr. R. Najjaar (Hons B. Compt) (CIA) (Appointed 01 August 2018)	7
Mr. R.G. Nicholls (CA (SA)) (CIA) (Appointed 01 August 2018)	5
Mr. C. Whittle (CA (SA)) (Appointed 01 November 2018)	6
Mr. R. Kingwill (CA (SA)) (Contract ended 31 July 2018)	1
Dr. W.J Sewell (D.Litt et Phil) (Contract ended 31 July 2018)	1

### 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 effectiveness of the Finance function is key to performance and governance. 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 2019. 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, 2018 (Act No 1 of 2018) (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 are further embedded and that management oversight of reported results is strengthened.

## **INTERNAL CONTROL AND 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. Where instances of control weakness were reported, Management committed to implementing the necessary action plans to address the reported control weaknesses. These will be reviewed at our quarterly meetings.

The Fraud and Risk Management Committee (FARMCO) is responsible for the oversight of risk governance. The Committee is satisfied that FARMCO dedicates sufficient time to the governance of risk. FARMCO includes a representative from the Audit Committee. The Committee is happy to report that the FARMCO structure in the Municipality has reached a mature level of functioning and reliance is placed on its oversight activities.

The Committee reviewed the risk profile of the Municipality when the Internal Audit Plan priorities were determined. The Committee remains concerned that progress of embedding a risk management culture in the processes of the Municipality still needs attention. The Committee also noted in the Auditor-General's report that no significant deficiencies were identified in internal control.

## **ASSURANCE PROVIDERS**

The Auditor General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit institution of South Africa, exists to strengthen the country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. The AGSA, governed by the Public Audit Act, No. 25 of 2004 (PAA), is legally, financially and operationally independent. The Committee has formally commended the AGSA audit team on the quality of the external audit undertaken and the manner in which the engagement between the stakeholders was conducted. Oversight of the Internal Audit function is delegated to the Committee. The Committee annually reviews the internal audit charter, which defines the roles and responsibilities of the internal audit function. This charter ensures that the internal audit function has the necessary skills and resources to effectively execute the annual internal audit plan. The Chief Audit Executive functions independently

from management and possesses the necessary competence and skills to perform the allocated duties. The CAE has unlimited access to the Committee in reporting on the performance of the duties and functions relating to internal audit. The lines of assurance have been defined for the Municipality and funding has been made available to develop a Combined Assurance Model from which the process will be formalised and driven.

## **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 “City of Excellence”.



**KIM MONTGOMERY**  
**AUDIT COMMITTEE CHAIRPERSON**

Date: 18 December 2019