



This report serves to apprise the Council of Senqu Municipality of the Audit Committee's consideration of Q1 Reports of the 23/24 financial year

23/24 Q1 Audit Committee report to the Council

26 January 2024

Fungai Mushohwe – AC Chairperson

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1. Audit Committee Report to the Council for the Council Meeting of Friday 26 January 2024
Report Covers the Quarter One Report (Jul 2023 – Sept 2023)

2. Introduction and Purpose of the audit committee

The Audit Committee operates as a sub- committee of the Council and performs the responsibilities assigned to it by the MFMA section 165 and 166, and the corporate governance responsibilities delegated to it under its Charter by the Council.

- The purpose of the audit committee is to provide a structured, systematic oversight of the organisation’s governance, risk management, and internal control practices. The committee assists the Council and management by providing advice and guidance on the adequacy of the organisation’s initiatives for:
 - Values and ethics.
 - Governance structure.
 - Risk management.
 - Internal control framework.
 - Oversight of the internal audit activity, external auditors, and other providers of assurance.
 - Financial statements and public accountability reporting.
 - In broad terms, the audit committee reviews each of the items noted above and provides Council with independent advice and guidance regarding the adequacy and effectiveness of management’s practices and potential improvements to those practices.

3. Reporting to Council

In terms of Paragraph 7 of the Audit Committee Charter, the chairperson of the audit committee will report on a quarterly basis, or more frequently if required, to the municipal council on the operations of the internal audit unit and the audit committee. The report should include:

- A summary of the work performed by the internal audit and the audit committee against the annual work plan.
- Effectiveness of internal controls and additional measures that must be implemented to address identified risks.
- A summary of key issues dealt with, such as significant internal and external audit findings, recommendations, and updated status thereof.

- Progress with any investigations and their outcomes.
- The audit committee's views on the effectiveness of the CAE and the arrangements for internal audit.
- The audit committee's views on the effectiveness of the CFO and the finance function.
- The arrangements in place for combined assurance and the committee's views on its effectiveness
- Details of meetings and the number of meetings attended by each member.
- Other matters requested of the internal audit and audit committee.

4. Quarter 1 Reports

4.1. AG(SA) Audit and Report Update

At the time of the meeting AG had not yet finalised their audit and there was no audit report with an audit opinion yet. AG had raised a few issues in the meeting; however, these were subsequently resolved and the Municipality got an unqualified audit opinion with no findings (clean audit).

4.2. Internal Audit reports

The committee considered the completed audits conducted by the internal audit for Q1 of the 23/24 financial year. The following audits were conducted by Internal Audit and the key issues identified:

4.2.1. Key control dashboard audit (control improvements):

- ensure that a reconciliation between the cash book and the bank statement is done on a monthly basis to detect any unallocated deposits/ withdrawals.
- review the Code of Ethics ensuring that the procedure manual for approval of policies is in place and display the Code of Ethics in all Municipal areas for visibility.
- ensure the performance of Municipal employees is assessed and monitored quarterly to improve the productivity of employees and to ensure that set targets are achieved.
- ensure that the risk register is updated and monitored quarterly, and minutes are kept for quarterly meetings, and should also ensure that the risk management strategy is finalised and approved.

4.2.2 Performance assessments for S56 Directors audit (control improvements):

Some inconsistencies were noted in terms of calculating scores. This issue was discussed with the Accounting Officer and there was commitment to resolve the issue(s).

4.2.3. Performance information audit (control improvements):

The following are areas which require management to improve on:

- information requested by internal assurance providers such as governance and compliance and or internal audit is submitted within the stipulated timeframes and is easily accessible.
- terminated employees' vacancies are filled to avoid constraining to the existing human resource capacity.
- ensure that findings raised by internal audit are prioritised as per the implementation date and remedial action and also ensure that are cleared and addressed timeously.

4.2.4. Fleet management audit (control improvements):

The following are areas which require management to improve on:

- ensure that all municipal vehicles have a tracker.
- ensure that all municipal vehicles are maintained/serviced timeously.
- strengthen mechanisms in place to identify misuse and abuse of municipal vehicles (municipal vehicles are often used without an approved trip authority).
- Management should ensure timeous payment of municipal discs to avoid fruitless and wasteful expenditure

4.3. Risk report

The committee considered and noted the quarter 1 risk report. Management committed to soon finalise the risk register and present it to Internal Audit. The committee encouraged management to write down lessons learnt, which caused a delay in the compilation of the risk register, so that next year, the risk register is timeously completed. The committee further recommended that the risks identified should be monitored as it means nothing to have a comprehensive risk register with improper implementation.

4.4. Compliance report, legal report

The committee noted these reports and there is nothing significant that the committee would like to bring to the attention of Council.

4.5. Project management report

The committee considered the project management report for quarter 1. Of concern was the little to no progress on some projects which might mean that the budgeted funds may not be fully spent by the end of the year. Management could not give assurance that the funds will be fully spent by the end of the financial year citing amongst other things, challenges with contractors.

4.6. Financial Reports

The committee noted with appreciation that the Municipality is in a very sound financial position with huge amounts in reserves, albeit aging infrastructure which needs replacement.

5. Extracts from the Committee report in the 22/23 Annual Report

There seems to be lack of clarity as it relates to the function of the committee in, amongst others, reviewing certain, specific reports and making comments and or recommendations thereon before they are presented to the Council. For example, the audit committee charter requires that the committee is to inform the council regarding material matters which need to be addressed when considering the preparation and discussion of the financial statements. The same charter requires that the committee review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organisation. The audit committee does not seem to be given room by to fully executes such functions which are stipulated in its Charter.

6. Conclusion

The committee would like to thank the management, under the leadership of the MM for a fruitful discussion of Quarter 1 reports. The committee would also like to thank the Council for an opportunity to present this report.

A handwritten signature in black ink, appearing to read "A. Shchwe".

26 January 2024

Signature

Date