

AUDIT COMMITTEE ANNUAL REPORT 2017/18

We are pleased to present our report for the financial year ended 30 June 2018.

1. Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

2. Audit Committee members and attendance

The Audit Committee, consisting of independent outside members, meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

3. The Effectiveness of Internal Control

Our review of the internal control environment revealed that there has been a room for improvement in the system of internal control of the municipality and reducing qualification issues of previous year. Furthermore, there are several deficiencies in the system of internal control and/or deviations there were reported by the internal auditors and the Auditor-General. However, the Audit Committee notes management's commitment and action plan to correct deficiencies.

4. In-Year Management and Monthly/Quarterly Report

The municipality does have an effective monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA).

5. Performance Management

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

6. Risk Management

The AC is of the opinion that municipality's risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has no sound and effective approach has been followed in

developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment.

Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Audit Committee, AGSA, and Internal Audit during the year. Thus there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

7. Internal Audit

The AC is satisfied with the effectiveness of Internal Audit, and commend Management and Council for capacitating this unit. The above conclusion is based on:

- Timeous approval the internal audit charter, strategic and operational plans, internal audit activities, staffing (including competence and qualifications), and organisational structure of the Internal Audit Unit;
- Satisfactorily implementation of the approved the annual internal audit plan and all major changes to the plan.
- There were no unjustified restrictions or limitations on work of the internal audit.
- Compliance with the IIA's international standards for the professional practice by Internal Auditing unit
- Partial implementation of remedial action plan on internal audit findings by management.

8. External Audit

The AC did review the Auditor-General's proposed audit scope and approach, including coordination of audit effort with internal audit in respect of 2015/16 financial year. Furthermore, the AC evaluated management responses to the reports or findings of the Auditor-General on quarterly basis.

9. Progress in implementation of AGSA findings from prior year

AGSA recommendations were not fully implemented by management at the time of this report. There is a room for improvement in this regard and the AC recommended to the municipality to prioritise the implementation of recommendations by AGSA.

10. Progress on implementations of Internal audit recommendations

A material number of Internal audit recommendations were implemented by management. There is a room for improvement in this regard and thus, AC recommended to municipality to prioritise the implementation of recommendations by Internal Audit.

11. Implementations of Audit Committee Recommendations by management

A material number of Audit committee recommendations to management were implemented. There is a room for improvement in this regard and thus, AC recommended to municipality to fast track the implementation of recommendations by Audit Committee.

12. Conclusion

The Audit Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements report above. We would also like to thank the Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.

A handwritten signature in black ink, consisting of the letters 'SAB' in a stylized, bold font, enclosed within an oval shape.

SAB Ngobeni (Mr)
Chairperson of the Audit Committee
Greater Tzaneen Municipality
31 August 2018