

## AUDIT COMMITTEE ANNUAL REPORT 2018/19

We are pleased to present our report for the financial year ended 30 June 2019.

### 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

In line with the MFMA, internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is usually achieved by means of review of internal controls, the identification of corrective actions and suggested enhancements to the internal control processes and risk management. From the various reports of the internal auditors, the management and audit reports of the Auditor General South Africa, it was noted that in material respects the system of internal controls appears to be adequate and effective.

The Audit Committee continues to monitor on a quarterly basis management's efforts and commitment to continuously improve the system of internal control. The internal audit team also performs a number of follow up audits throughout the year and the results submitted to Audit Committee for tracking purposes.

#### 4. In-Year Management and Monthly/Quarterly Report

The municipality has reported monthly and quarterly to Treasury as is required by the MFMA. The Audit Committee reviewed the quality, accuracy, usefulness, reliability and appropriateness of quarterly and annual financial and performance reporting and concluded that the municipality should continue with culture/good practice of reporting timeously..

#### 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 Audit Committee is of the opinion that municipality's risk management maturity level is somewhat satisfactory. The municipality should fast-track appointment of independent Risk Management Committee Chairperson, and conduct regular risk assessments and robust monitoring.

#### 7. Compliance with laws and regulations

The municipality recorded a notable improvement in so far as compliance with the enabling laws and regulations and Audit Committee commend management for such improvement. As result, the Audit Committee recommended strengthening of the current compliance management system with an objective of addressing the issues of non-compliance with laws and regulations..

#### 8. Internal Audit

The Internal Audit team managed to execute and complete substantial all original approved risk based audit projects within the allocated budget hours and time-frames. It is against this backdrop that the following conclusion must be understood that the internal audit unit under the leadership of the Manager Internal Audit in material respect was found to be effective and adds value to the whole value chain.

## 9. Evaluation of Financial Statements

Audit Committee reviewed the annual financial statements prepared by the municipality at the audit committee meeting held in August 2019, and recommended them for audit.

## 10. Evaluation of Annual Report

At the same audit committee meeting, Audit Committee evaluated draft annual report (including performance report) and recommended the report for audit after further refinement by management.

## 11. Auditor General's Report

The Audit Committee evaluated management responses to the report or findings of the Auditor-General (Action plan to address prior year findings) on quarterly basis and gave inputs and advice on how best to address the findings raised by the AGSA.

## 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 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' followed by a stylized flourish, all enclosed within an oval shape.

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