

**REPORT OF THE AUDIT COMMITTEE ON
GREATER TZANEEN MUNICIPALITY**

We are pleased to present our report for the financial year ended 30 June 2012.

Mopani District has a shared Audit Committee structure to oversee five local municipalities and the district municipality.

Audit Committee members and attendance

The Audit Committee, consisting of independent outside members listed below, 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.

Name of Member	Number of meetings attended
Mr T C Modipane (Chairperson) – appointed 29/08/2011	4
Ms F J Mudau – appointed 29/08/2011	4
Adv. S T Kholong – appointed 29/08/2011	4
Mr H Hlomane – appointed 29/08/2011	4
Mr A S Ngobeni – appointed 29/08/2011	4

Audit Committee Responsibility

The Audit Committee reports that it has not fully complied with its responsibilities arising from section 166 of the MFMA due to:

- The lack of cooperation from management in submitting Audit Committee packs; and,
- Limited internal audit capacity.

The Committee also reports that it has adopted the appropriate terms of reference as per the audit committee charter, has regulated its affairs in compliance with the charter and has not fully discharged its responsibilities as prescribed therein

The effectiveness of internal control

In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed. The municipality should continue to monitor and improve the control environment to avoid further deficiencies in the system of internal control.

On several occasions during the course of the year the Accounting Officer was urged to put into place action plans for clearing outstanding Internal and External audit findings to help improve the control environment and help in achieving the 2014 Clean Audit goal. Needless to say that as at year-end a number of audit findings from the previous years remained unresolved.

Evaluation of Financial Statements

The Audit Committee has:

- not reviewed and discussed the audited annual financial statements to be included in the annual report with the Accounting Officer;
- reviewed the Auditor-General's management letter and management's response thereto; and
- reviewed significant adjustments resulting from the audit.

Internal audit

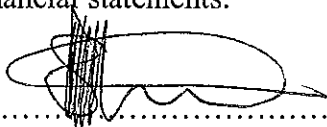
The Audit Committee is not satisfied with internal audit function in the municipality. The following matters were raised on several occasions with the Accounting Officer regarding the effectiveness of internal audit:

- The annual internal audit plan not fully implemented;
- Performance information not audited by internal audit unit as required by legislation;
- Internal Audit Unit not adequately resourced to effectively execute their function of advising the Accounting Officer on internal control deficiencies and corrective actions; and,
- The failure to effectively coordinate scheduled Audit Committee meetings

Other observations

The Audit Committee wishes to report that it did not receive and therefore review annual performance report and the Accounting Officer's report to be included in the annual report. These reports were not made available to Audit Committee because management reported that they were not ready for review.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements.



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Chairperson of the Audit Committee
22 January 2013