

Matatiele Local Municipality

Audit Committee Report for the year ended 30 June 2023

I am pleased to present the audit committee report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the following five (5) external, non-executive members listed hereunder and should meet at least four (4) times per annum as per its approved terms of reference.

Name of member	Status	Number of meetings attended
Mr. A.D Gonzalves	Chairperson	6/6
Mr. Z Zulu	Member	5/6
Ms. N Ntshanga	Member	6/6
Mr. S Nombebe	Member	6/6
Adv. L.T Nevondwe	Member	5/6

All members are external and therefore independent with no conflicts of interests being reported throughout the year under review.

Audit committee meetings

Six (6) meetings were held during the financial year as follows:

Meeting	Date	Type of meeting
1.	26 July 2022	Ordinary
2.	23 August 2022	Special
3.	24 October 2022	Ordinary
4.	24 January 2023	Ordinary
5.	21 February 2023	Special
6.	24 April 2023	Ordinary

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 of Municipal Finance Management Act, 2003, (Act 56 of 2003), section 79 of Municipal Structures Act 117, 1998 (Act 117 of 1998) and paragraph 14 (2)(a) of the Local Government: Municipal Planning and Performance Management Regulations. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, and regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

The effectiveness of internal controls

In line with section 165 of the Municipal Finance Management Act of 2003 and paragraph 14 (2)(a) of the Local Government: Municipal Planning and Performance Management Regulations, internal audit provided the audit committee and management with assurance that the internal controls of the municipality have been fairly designed. The committee noted that systems of internal controls applied by the municipality over financial, performance and risk management have improved, however there were findings indicating that these were not fully effective throughout the year under review. This was a result of inadequate management oversight, as well as failure to implement corrective actions and suggested enhancements to the controls and processes. The committee has noted that there is a need to improve monitoring, management oversight and implementation by management in effectively managing internal controls.

Internal audit

The committee reviewed and approved the internal audit charter and the risk based annual internal audit plan. It reviewed the work performed by internal audit on a quarterly basis and the implementation of internal audit recommendations. The audit committee, although satisfied with the effective internal audit function to address some of the risks pertinent to the municipality, recommends that management continue to cooperate with the internal audit function to improve the current control environment

through the timely implementation of recommended actions, follow up audits be completed on a quarterly basis to prevent recurrence of repeated findings, and where controls are found to be inadequate, consultative internal audit engagements be implemented to guide management on improving policies and procedures through a gap analysis approach.

The audit committee is satisfied that the internal audit function maintained its independence and objectivity throughout the under review.

Risk management

The audit committee is satisfied that risk management is continually improving within the municipality. However, management needs to ensure that there is improved co-ordination between risk management and strategic planning functions, so that resources can be allocated in an optimal manner to address the top risks of the municipality.

Performance management

Quarterly reports on municipal performance in terms of achieving KPI targets in key performance areas were considered. The committee was satisfied that in year reporting on performance management is continually improving within the municipality however, robust procedures over management oversight must continually be implemented to ensure that reported information is credible throughout the year.

Information technology

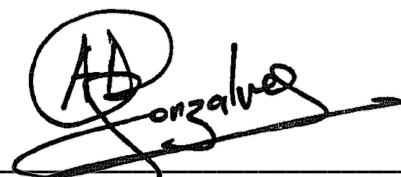
Reports from internal audit indicate that improvement in controls over information technology required some improvement. The committee recommended that the ICT project management document be reviewed at the IT steering committee, and that manual compensating controls that include extracting necessary reports from the active directory for regular reviews of system administrator activities be implemented with the reports being signed and dated by the responsible official to provide evidence of reviews over system administrator activities.

External audit - Auditor General of South Africa (AGSA)

The audit committee in consultation with management and the AGSA discussed the terms of the engagement. The audit fee for the external audit was considered and approved taking into consideration such factors as the timing, extent of the work required and the scope of the audit. The audit committee met with the AGSA to discuss the audited financial statements, reviewed the municipalities compliance with legal and regulatory provisions, and the significant adjustments resulting from the audit and ensured that there were no unresolved issues. The annual financial statements are prepared in accordance with the South African Standards of Generally Recognized Accounting Practice and in the manner required by the Municipal Finance Management Act of 2003 and the Division of Revenue Act of 2002. The audit committee concurs with and accepts the AGSA's audit report on the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the AGSA. The audit committee was satisfied that the auditors remained independent throughout the financial year.

Conclusion

The audit committee wishes to thank the municipality council, management, and the staff for their continued commitment to improving the control environment and good governance of the municipality. Our appreciation is also extended to the team from internal audit and the AGSA for the independent value that they continue to add to the municipality.

A handwritten signature in black ink, appearing to read 'A. D. Gonzalez', is written over a horizontal line. The signature is stylized with a large 'A' and 'D' circled together.

CHAIRPERSON OF THE AUDIT COMMITTEE

07 December 2023