

TO:	AUDIT COMMITTEE (AC)
PRESENTER:	MUNICIPAL MANAGER ON BEHALF OF THE AC
DATE:	26 MAY 2016
SUBJECT:	REPORT IN TERMS OF SECTION 166 (2) (a) of the MFMA
OBJECTIVE:	COUNCIL TO NOTE THE REPORT

1. PURPOSE:

To report to Council in terms of section 166 (2) (a) of Municipal Finance Management Act of 2003 in respect of the work performed by the Audit Committee during the period **01 January 2016 to 31 March 2016**.

2. BACKGROUND:

In terms of section 166 (2) (a) the Audit Committee must advise to Council on matters relating to:

- (i) Financial controls
- (ii) Internal audit
- (iii) Risk Management
- (iv) Accuracy and reliability of financial reporting
- (v) Effective Governance
- (vi) Performance management
- (vii) Any other matter referred to it by the Municipality

3. FINANCIAL CONTROLS

Reports Considered:

The following reports were presented and considered by the Audit and Performance Committee during the period under review:

- Internal Audit report – Follow up Audit report on Revenue Management
- Internal Audit report – Follow up Audit report on Information technology
- Internal Audit report – Overtime Management

Conclusion:

Based on the reports presented to the Committee by the Internal Audit unit, the Committee noted that significant progress was being made to improve the internal control system in the Municipality. It is noted that management has implemented adequate controls in most areas within the Municipality to provide reasonable assurance that all major inherent financial risks are appropriately identified and the applicable legislation is adhered to.

4. INTERNAL AUDIT

Reports considered:

The following reports were presented and considered by the Audit and Performance Committee during the period under review in relation to internal audit:

- Internal Audit reports

Conclusion:

The Committee is satisfied with the work performed by the internal audit unit. The Committee also noted that the audit unit is very proactive in ensuring that the Committee performs in terms of its charter.

5. RISK MANAGEMENT

Reports Considered:

There were no report from the risk management committee for considerations as required

Conclusion:

The Committee is not satisfied that the Municipality has identified significant risks that may impact on the achievement of its objectives as the Risk committee did not submit any report for consideration. The Committee advised that the Risk management component should be look at as it is a crucial unit for internal audit unit to operate effectively.

6. ACCURACY AND RELIABILITY OF FINANCIAL REPORTING

Reports Considered:

The following reports were presented and considered by the Audit and Performance Committee during the period under review in relation to financial reporting:

- Audit Action Plan
- Fruitless and wasteful expenditure- quarter three (3)

Conclusion:

Based on the information submitted for review, the Committee is satisfied that management is implementing the audit action plan. The Committee also noted that the municipality is proactive in addressing the audit finding and thanked the Office of the Auditor General's for its involvement with the workshops as this can be a positive contribution towards clean audits and reduction of audit fees.

7. EFFECTIVE GOVERNANCE

The following reports were presented and considered by the Audit and Performance Committee during the period under review in relation to financial reporting:

- Organizational structure of the municipality
- mSCOA updates

Conclusion:

During interaction with the members of management, the Committee noted that leadership provided within the Municipality is very strong and effective. The management style adopted by Leadership of the Municipality enhances a strong sense of accountability and responsibility. The Committee noted that Management has provided internal audit with the support necessary to ensure effectiveness of their operations.

The Committee noted that management have not make much progress regarding mSCOA and a follow-up will be done in the Committee sitting.

8. PERFORMANCE MANAGEMENT

Reports considered:

The following reports were presented and considered by the Audit and Performance Committee during the period under review:

- Performance Management System Report – Quarter two (2)
- Performance Management System Report – Quarter three (3)

Conclusion:


Based on the reports considered the Audit and Performance Committee is satisfied that the Municipality has implemented an effective system of monitoring progress with the achievement of performance targets.

9. MATTERS REFERRED BY THE MUNICIPALITY

During the period 01st January 2016 to 31st March 2016, there were no matters referred to the Audit and Performance Committee by the Municipality, other than those presented above.

10. RECOMMENDATION

It is hereby recommended that the Council note the report of the Audit Committee



Ms Kaveshka Mackerduth CA(SA)
Chairperson: Audit Committee