

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY



# Report of the Audit Committee for the year ended 30 June 2014

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Lindy Dhlamini

8/31/2014

## **Audit Committee and terms of reference**

The Audit Committee has adopted a formal mandate as articulated in the terms of reference approved by the Council as required by the Municipal Financial Management Act (MFMA), Section 166. The Audit Committee has fairly conducted its activities as per its terms of reference.

## **Audit Committee meetings**

The Audit Committee consisted of five members, however one member resigned Mr L. Kimmie (16 April 2014), the Committee must hold at least four meetings per year as per the Charter's terms of reference.

The Committee has extended its invitation to the Accounting Officer, Director Internal Audit and to other Directors during their various meetings held as and when it was required.

During the year under review five meetings were held,

<b>Name</b>	<b>Meetings Held</b>	<b>Meetings Attended</b>
Mr A. Kekesi (Chairman)	5	4
Ms L. Dhlamini	5	5
Ms S. Motlhabane	5	1
Ms A.B. Ngobeni	5	1

## **Roles and responsibility of the Audit Committee**

The Committee's responsibilities as per the MFMA and per the Charter refer

## **Internal Financial Controls**

Based on the results of the review of the, implementation and effectiveness of the of internal financial controls conducted by the internal audit function and the Audit Committee during the financial year ended 30 June 2014, and in addition, considering information and explanations given by management, the committee is of the opinion that the system of internal financial controls is partly ineffective. Improvements have been noted, however Management needs to ensure that controls are implemented for the whole financial period.

It should be noted that the control environment, forms the basis for the preparation of reliable financial statements. Findings have come to the attention of the committee to indicate that there were breakdowns in internal controls during the financial year under review.

## Issues of concerns from the Audit Committee

- Capacity in Finance,
- Fixed asset control environment,
- Performance management,
- Management of Grants,
- Delays in implementation of internal and external audit findings,
- Reconciliation of control accounts and
- Management of grants received.

## **Internal Audit**

The committee has approved the internal audit charter as well as the internal audit function's annual audit plan for the financial year ended 30 June 2014.

The internal audit has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the on group's operations. The head of internal audit is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Committee on a regular basis. An internal Audit service is a shared service with the three local Municipalities. Capacity needs to be augmented in order to improve the quality of internal audit deliverables, in order to be able to deliver effectively.

The head of internal audit has direct access to the committee, primarily through its chairman.

The internal audit function resides within the District Municipality's and has responsibility for reviewing and providing assurance on the adequacy of the internal control environment, serious improvements is required in this regard.

## **Going concern**

The committee reviewed the draft financials of the Municipality to assess its going concern before recommending to the Council that the will be a going concern in the foreseeable future.

## **Risk Management**

The Council has assigned oversight to the Risk Committee and have appointed an independent Chairperson. The Chairman of the Risk Committee is also a Member of the Risk Committee. The Committee plays oversight on internal controls risk, financial reporting risk and management's compliance to the legislative framework. However, these controls were only implemented towards the end of the financial year.

## **Financial Statements**

The committee has reviewed the draft financial statements of the Municipality and is satisfied that they comply in all material respects they with GRAP Reporting Standards. Strides have been made in this regard to produce better financials.

### **RECOMMENDATION OF THE DRAFT ANNUAL REPORT FOR APPROVAL BY THE COUNCIL**

The committee recommended the Annual report for approval by the Council, 28 August 2014.