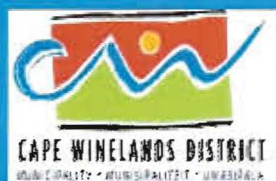

Cape Winelands District Municipality

Audit Committee:

ANNUAL REPORT

**For the year ended
30 June 2016**



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REPORT BY THE CHAIRPERSON OF THE CWDM AUDIT AND PERFORMANCE COMMITTEE (THE COMMITTEE) FOR THE YEAR ENDED 30 JUNE 2015.

1. INTRODUCTION

The Audit and Performance Committee consists of four independent members who are all suitably qualified financially literate and who have a good understanding of performance and risk management. The Committee meets at least four times per annum as per The Committee terms of reference.

The Audit and Performance Committee consists of:

| Name of member | Meetings attended |
|--------------------|--|
| Ms BT Daries | 5 (Appointed as chair 1 February 2015) |
| Ms R. Gani | 5* (Appointed from 1 February 2015) |
| Mr CP Clacher | 5* (Appointed from 1 February 2015) |
| Advocate M Mdludlu | 6 (Appointed from 1 February 2015) |
| Ms M Bond-Smith | 0 (Appointed from 1 June 2016) |

Ms BT Daries resigned from the Audit and Performance Committee from 18 April 2016 as chairperson and as member.

Adv. Mdludlu has acted as chairperson for the meeting held on 20 April 2016 and appointed as chairperson from 1 June 2016.

The new member was appointed from 1 June 2016 and attend the first meeting in July 2016.

* Applications for leave of absence were received.

2. BACKGROUND

The Committee is a statutory body whose duties and responsibilities are delegated to it by Council. These duties and responsibilities are articulated in The Committee Charter which was approved by Council in compliance with the Municipal Finance Management Act (MFMA).

The overall objective of the committee is to assist the Council in discharging its duties relating to, amongst others, the safeguarding of assets, the operation of adequate internal controls and systems, ensuring that adequate financial accounting controls and processes exist, the annual financial statements, as well as overseeing that statutory and regulatory requirements are met on an on-going basis.

The Audit Committee also served as the Performance Committee of the Cape Winelands District Municipality and in that respect evaluates and approves the quarterly reports from Internal Audit on performance as prescribed by legislation.

The Head of Internal Audit attended and reported at all quarterly meetings of the Audit and Performance Committee. The Cape Winelands District Municipality's risk management function, performance management function and ICT function were also represented at all committee meetings.

Executive Directors attended all meetings. National and Provincial Treasury and the Auditor-General have a standing invitation to all committee meetings.

3. DUTIES PERFORMED

During the financial year ended 30 June 2016, the Audit and Performance Committee convened six times to discharge its statutory responsibilities. As an overview only, and not to be regarded as an exhaustive list, the committee carried out the following duties:

3.1 ANNUAL FINANCIAL STATEMENTS

3.1.1 The Audit and Performance Committee evaluated the 2015/2016 financial statements and the Auditor General's Audit report. The Cape Winelands District Municipality received a Clean Audit Report from the Auditor General for 2015/ 2016.

3.1.2 The annual financial statements for the year ended 30 June 2016 was reviewed by the Audit and Performance Committee on 29 August 2016.

3.2 ANNUAL REPORT

In addition to the annual financial statements, the Audit and Performance Committee have reviewed the annual report for the financial year ended 30 June 2016.

The Annual Reports for 2015/2016 demonstrates the municipality's ability to report on all aspects of performance for the aforementioned periods.

The draft Annual Reports for the year ended 30 June 2016 was reviewed by the Audit and Performance Committee on 29 August 2016 and to submit any comment thereof to management.

3.3 EFFECTIVENESS OF INTERNAL AUDIT FUNCTION

The Head of Internal Audit has a responsibility to the Audit and Performance Committee and has direct access to members of The Committee as well as the Chairperson of The Committee. The Head of Internal Audit reports functionally to the Chairperson of The Audit Committee and administratively to the Municipal Manager.

The Committee:

- Reviewed and approved the internal audit annual risk based audit plan for the 2016/2017 financial year and verified that it addressed the full spectrum of risk that was identify during the risk assessment that was completed in May 2016;

- Evaluated the independence, effectiveness and performance of the internal audit function and that the internal audit function has the necessary resources, standing and authority in the organization to discharge its duties which was found to be satisfactory;
- Reviewed and considered the quarterly reports from the Head of Internal Audit in respect of the progress made on the annual audit plan and of findings from internal control reviews;
- Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto;
- Reviewed and approved nine audit reports;
 - Supply Chain Management (This audit started in June 2014 and completed in July 2015)
 - Leave review for 2015/2016
 - DORA review for 2015/2016
 - MFMA Compliance review for 2015/2016
 - Supply Chain Management for 2015/2016
 - Leave review (Special Request)
 - OHASA review for 2015/2016
 - Communication review for 2015/2016
- The planned audits for 2015/2016 were completed in a satisfactory manner.
- In this regard the Audit and Performance Committee wishes to express its appreciation to the internal audit team.

The Internal Auditor resigned in September 2015 and the post was filled in June 2016.

An Intern was appointed in the Internal Audit section until 30 June 2017.

3.4 PERFORMANCE MANAGEMENT

The Audit and Performance Committee is satisfied that the municipality was in compliance with all statutory requirements and performance management best practice and standards.

- The Audit and Performance Committee reviewed and is satisfied that there is alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements.
- Performance indicators and targets which relate to strategic objectives are specific, measurable, achievable, and relevant.
- The quarterly performance management audits were done by the Cape Winelands District Municipality's internal audit function and submitted to the Committee.

- In total, four quarterly Performance Management System reports were submitted to the Audit and Performance Committee for approval.
- Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto.
- Internal Audit made one process improvement recommendation on evidence that was supplied which were not actually smart and therefore it was change that the actual documents that was submitted to council be uploaded on the performance system

3.5 RISK MANAGEMENT

The Audit and Performance Committee is responsible for determining the nature and extent of the significant risks the Cape Winelands District Municipality's has to manage in order to achieve its strategic objectives.

The committee:

- Reviewed and ensured that the Internal Audit Plan is aligned to the risk profile of the CWDM;
- Reviewed the Fraud And Risk Management Committee's quarterly reports;
- Reviewed the Fraud and Risk Committee's charter that has been approved by Council.
- The committee fulfilled an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.
- Reviewed the amended fraud policy prior to submission for approval to Council.
- Reviewed the 2016/2017 financial year risk register which include the combined assurance plan.

The Audit and Performance Committee is satisfied with the effectiveness of the risk management processes and systems through the Fraud and Risk Management Committee (FARMCO) which was establishment and is functional. Identified risks were mitigated to the acceptable level. Monthly monitoring reports are submitted to Management.

The risk manager resigned in January 2016 and the Chief Audit Executive assist Mr Nieuwoudt until the new risk manager started on 1 June 2016.

3.6 INTERNAL CONTROL

The Audit and Performance Committee provided an objective overview of the operational effectiveness of the Cape Winelands District Municipality's systems of internal control.

From the various reports of the internal audit unit, the reports on the annual financial statements by the Auditor-General and the Auditor General's management report, it was noted that no matters were reported that indicated any material deficiencies in the system of internal controls or any deviations there from.

3.7 EFFECTIVENESS OF GOVERNANCE

The Audit and Performance Committee reviewed the performance report of the municipality and the Audit and Performance Committee is satisfied with effectiveness of governance on the basis that performance of Senior Managers was assessed during the year.

3.8 IT GOVERNANCE

The Audit and Performance Committee is responsible as an independent advisory body to advice on Information and Technology matters and is closely monitoring the progress and implementation of the Municipal Corporate Governance of Information and Communication Technology Framework.

The Audit and Performance Committee also reviewed the ICT Committee's quarterly reports.

The ICT Manager have to report to the Audit and Performance Committee on a quarterly base the progress that were made on the Auditor-General and Internal Audit findings.

The ICT Managers post were vacant for more than a year. The ICT Manager were appointed and started her duties on 1 June 2016.

3.9 COMBINED ASSURANCE FRAMEWORK

Formal engagements occurred between the Audit and Performance Committee, Management, Council, Internal Audit and the Auditor General during the year. These engagements continue to be regularized and developed in order to strengthen and enhance the combined assurance model of the municipality.

The combined assurance framework was approved by the Audit and Performance Committee for the 2016/2017 financial year.

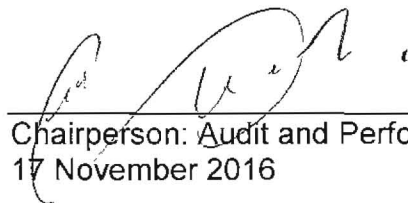
4. AUDITOR-GENERAL

The Audit and Performance Committee has met with the Auditor General to discuss the audit plan, strategy and presentation of their final draft audit report for the 2015/ 2016 financial year.

The Audit and Performance Committee concurs with and accepts the conclusions of the

Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements and the reported predetermined objectives be accepted and read together with the report of the Auditor-General.

The Audit and Performance Committee will monitor the progress and implementation of the recommendations made by the Auditor-General to management.



Chairperson: Audit and Performance Committee
17 November 2016