
Cape Winelands District Municipality

Audit Committee:

ANNUAL REPORT

**For the year ended
30 June 2018**



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REPORT BY THE CHAIRPERSON OF THE CWDM AUDIT AND PERFORMANCE COMMITTEE (THE COMMITTEE) FOR THE YEAR ENDED 30 JUNE 2018.

1. INTRODUCTION

The Audit and Performance Committee consists of four independent members who are all suitably qualified and 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 R. Gani	6 (Re-appointed as chair 1 February 2018)
Mr CP Clacher	3 (Appointed from 1 February 2015 term ended 31 January 2018)
Advocate M Mdludlu	6 (Re-appointed from 1 February 2018)
Ms M Bond-Smith	6 (Appointed from 1 June 2016)
Mr M Grobler	1 (Appointed from 1 February 2018)

Members attended all Audit and Performance Committee meetings.

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.

The Audit Committee wants to congratulate the Cape Winelands District Municipality on their clean audit.

3. DUTIES PERFORMED

During the financial year ended 30 June 2018, 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 annual financial statements for the year ended 30 June 2018 were reviewed by the Audit and Performance Committee on 28 August 2018.

3.2 ANNUAL REPORT

In addition to the annual financial statements, the draft Annual Reports for the year ended 30 June 2018 was send to the Audit and Performance Committee for review in September 2018 and to submit any comment.

The draft annual performance management report was submitted to the Audit and Performance Committee for review on 28 August 2018

The Annual Report for 2016/2017 demonstrates the municipality's ability to report on all aspects of performance for the aforementioned periods.

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 2018/2019 financial year and verified that it addressed the full spectrum of risk that was identify during the risk assessment that was completed in May 2018;
- 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 twelve audit reports;
 - Supply Chain Management
 - Governance review
 - DORA review
 - MFMA Compliance review
 - Asset Management
 - Budgetary Control

 - OHASA review
 - Fleet Management

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- ICT
 - OHASA Follow-Up review
 - Annual Stock take for Auditor-General
 - Risk Management
 - The planned audits for 2017/2018 were completed in a satisfactory manner.
 - In this regard the Audit and Performance Committee wishes to express its appreciation to the internal audit team.

All Internal Audit posts were full during the 2017/2018 financial year.

Two Interns were appointed in the Internal Audit section from 1 March 2018 until 28 February 2020.

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 practices 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 changed that the actual documents which were submitted to the municipality 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 2017/2018 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 Deputy Director Risk and Performance was appointed as Director: IDP Performance and Risk from December 2016 and the new Deputy Director Risk and Performance was appointed on 1 October 2017. The Chief Audit Executive assist the Director: IDP Performance and Risk during the time that there were no Deputy Director Risk and Performance.

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 reports to the Audit and Performance Committee on a quarterly basis on the progress that has been made on the Auditor-General and Internal Audit findings.

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 2018/2019 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 draft audit report for the 2017/2018 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.

The Audit and Performance Committee hereby congratulate the Council on their 5th clean audit.



Chairperson: Audit and Performance Committee

10 December 2018