

ANNUAL REPORT OF THE REGIONAL AUDIT COMMITTEE OF THE WEST RAND DISTRICT MUNICIPALITY FOR YEAR ENDED 30 JUNE 2018

We are pleased to present the Annual Audit Committee Report for the West Rand District Municipality for the financial year ended 30 June 2018. The Audit Committee is an independent statutory and advisory committee appointed by the Council. Further duties are delegated to the Audit Committee by the Council and are in line with the approved Audit Committee Terms of Reference generally known as the Audit Committee Charter. This report seeks to report back to Council on the implementation of the Audit Committee mandate in line with the Charter.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs during the past financial year in accordance with these terms of reference /Charter and has discharged all its responsibilities as contained therein.

Audit Committee Members and Attendance to Meetings

The Committee consisted of five independent members who collectively have sufficient qualifications and experience to fulfil the duties as stipulated in the Charter.

In terms of the approved Terms of Reference, six meetings were held during the period under review. Special meetings were held to consider the Annual Financial Statements and the outcome of the year end audit by the Office of the Auditor General.

The management team, representatives from Provincial Treasury and CoGTA, representatives from the Internal auditors and External auditors attended the Committee meetings by invitation. The Committee also met with the External auditors and Internal auditors, without management being present. The Internal and External auditors have unrestricted access to the Committee.

Attendance at the Audit Committee meetings is shown in the table below:

AUDIT COMMITTEE MEMBERS

Name of Member	Attendance	Apology	Total	Percentage attendance
Mr B Ahmed (Chairperson)	6	0	6	100%
Mr L Malinga	6	0	6	100%
Mr T Nemadzhilili	4	2	6	67%
Mr L Mangquku **	3	1	4	75%
Adv. P Pekalski *	1	0	1	*

*Adv. P Pekalski only attended 1 Special meeting.

** New member who started on 1 February 2018.

The effectiveness of Internal control and Information and Communication Technology (ICT) Governance

The Committee observed that the overall control environment of the Municipality was satisfactory during the year under review.

The Audit Committee also reviewed the progress with respect to ICT Governance. The Audit Committee noted that the Municipality is currently transacting on mSCOA as was required by National Treasury as of 1st July 2017. The Office of the Auditor General also did not raise material findings in their year-end audit.

Internal audit

The Audit Committee is satisfied that the Internal Audit plan represents a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits, i.e. risk-based, mandatory, performance, computer and follow-up audits.

Internal audit completed all 25 audits of the Internal Audit plan. The reports issued by Internal audit on a quarterly basis that detailed control deficiencies were presented and discussed with Management. Management committed to implement corrective measures prior to the year-end audit. The Committee urged management to ensure that all recommendations are implemented in line with the agreed timeframes in order to realize the benefits of an improved control environment.

An action plan on all findings raised by Internal Audit in the 2017/18 financial year has been developed for follow up with Management in the 2018/19 financial year. Progress will be reported to the Audit Committee on a quarterly basis. The Audit Committee wishes to express that Internal Audit is a strategic partner to Management and the Municipality. It is an early warning system that should be used to assist in correcting any weaknesses identified during the year in preparation for year-end audit and in quest for clean administration and good governance.

During the execution of its statutory duties in the financial year under review, the Committee has:

- Reviewed and approved the Internal Audit Charter.
- Reviewed and approved the Three Year Internal Audit plan and the Annual Internal Audit Plan.
- Evaluated the independence, effectiveness and performance of the Internal audit function and compliance with its mandate. This is done on quarterly basis.
- Satisfied itself that the Internal audit function has the minimum resources, budget, standing and authority within the Municipality to enable it to discharge its functions.

Audit review of predetermined objectives

The AGSA's review of performance against predetermined objectives has rated the supporting information supplied by the Municipality as useful and reliable, again an unqualified conclusion which demonstrates the benefit of closer attention having been paid to this area of reporting. Management is commended on ensuring that Performance Management received appropriate support and the attention it deserves. This is demonstrated by no material findings raised in this area during year end audit by the AGSA.

The Committee however, has noted that Performance Management in the Local municipalities still poses challenges. The District could provide the necessary support to the local municipalities so that the region also benefits from receiving clean administration in Predetermined Objectives.

Risk Management

The Risk management committee held quarterly meetings and progress reports were tabled at the Audit Committee meetings. The action plans to mitigate risks were implemented and progress was evaluated on a quarterly basis. The Municipality has maintained its risk maturity status. The Committee advises Management to strengthen internal controls around SCM and expenditure through adequate identification of key risks in these areas.

Implementation of corrective actions on AG audit report 2016/17

The Operation Clean audit action plan 2016/17 was developed based on the findings raised by the AGSA. Corrective measures were put in place to rectify deficiencies identified.

Evaluation of Annual Financial Statements 2017/18

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General SA and the Accounting Officer;
- Reviewed the Audit Report of the Auditor-General SA;
- Reviewed the Auditor-General SA's Management Report and Management's response thereto;
- Noted and reviewed the Auditor-General SA's assessment of the usefulness and reliability of performance information examined
- Reviewed the Municipality's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

The Committee noted a significant disagreement between Management and AGSA over the Municipality's compliance with regard to its investment with VBS Mutual Bank. There is currently an investigation in progress that is being conducted by the Gauteng Department of Finance. The Committee advises that Management continues to engage with the Gauteng Department of Finance and National Treasury in this regard.

The Audit Committee concurs with and accepts the AGSA's conclusions on the Annual Financial Statements and other legal and regulatory matters, and is of the view that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

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Bashir Ahmed

Chairperson of the Audit Committee

Date: 6 December 2018