



KGATELOPELE LOCAL MUNICIPALITY
AUDIT, PERFORMANCE AND RISK COMMITTEE
ANNUAL REPORT 2023-2024

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ANNUAL REPORT

1. PURPOSE

The Audit, Performance, and Risk Committee (APRC) is delighted to present its report for the financial period ending 30 June 2024. Throughout the year, the committee has been actively involved with management, addressing issues related to financial management, internal control, risk management, performance management, governance, information technology, corporate services, and technical services. We extend our gratitude to the Honourable Mayor, Honourable Speaker, Chairperson of MPAC, Accounting Officer, Chief Financial Officer, and the Technical and Community Services Manager for their attendance and contributions in our committee meetings.

2. LEGISLATIVE REQUIREMENTS

The APRC is responsible for presenting an Annual Report to the Council. The primary purpose is to advise the Municipal Council, Political Office Bearers, and the Accounting Officer on matters related to Section 166 (2) – (3) of the Municipal Finance Management Act and other applicable laws and regulations. Following Circular 65 of the MFMA, the committee has adopted formal terms of reference. These terms outline its establishment, purpose, authority, composition, and relationships with the Council, Management, and Internal and External Auditors as detailed in its charter..

3. AUDIT COMMITTEE MEMBERS AND MEETING DETAILS

3.1. Committee Structure and Assessment

The Committee consists of four independent external members listed below:

Initials and Surname	Date of appointment	Role
Mr. B. Mkhwanazi	06 June 2022	Chairperson of APRC
Mr. M. Jarvis	30 August 2022	Member of APRC
Ms. Z. Ndlovu	01 November 2023	Member of APRC
Mr. M. Mothapo	01 November 2023	Member of APRC

The Chairperson of the Committee is responsible for assessing the performance of individual committee members, while the Council should evaluate the performance of the committee's chairperson. This evaluation is based on several factors, which include:

- Expertise;
- Inquiring attitude;
- Objectivity and Independence;
- Judgement;
- Understanding of the public Sector Business;
- Willingness to devote the time needed to prepare for and participate in committee

- deliberations;
- Timely Responses; and
- Attendance of meetings.

Overall, the chairperson is satisfied that the members have exhibited thorough behavior and a positive attitude, meeting the expectations outlined in the Audit Committee Charter

3.2. Meeting Details

The committee is required, as per MFMA Section 166(4)(b), to meet at least four times during a financial year. The committee met on the dates listed below to execute its mandate in accordance with the agenda of the day. The details of the meetings are as follows:

Meeting date	Apologies	Nature of meeting
18 October 2023	None	Normal Meeting
29 November 2023	None	Special Meeting
14 February 2024	None	Normal Meeting
16 May 2024	None	Normal Meeting
18 July 2024	None	Normal Meeting

4. INTERNAL AUDIT

4.1. Internal Audit Staff

4.1.1. Staff

For the year ended 30 June 2024, the committee noted that the internal audit unit was staffed by a Senior Internal Auditor who executed the role of Chief Audit Executive, supported by one Audit Officer and one Intern. The unit comprised of the following:

- Mr. K. Thebeyagae - Senior Internal Auditor
- Ms. K. Kgwarai - Audit Officer
- Mrs. V. Ntsimanyane- Audit intern

Mr. K. Thebeyagae has since resigned and Ms. K Kgwarai was appointed as the Senior Internal Auditor effective from November 2024.

4.1.2. Performance

The Committee is reasonably satisfied that the Internal Audit Unit performed its activities in accordance with the approved internal audit charter and operational plan for the financial year ending 30 June 2024, as well as in compliance with Section 165 of the MFMA. Quarterly internal audit reports, reflecting the unit's progress, were adopted during the Normal Meetings held throughout the year. The Committee is fairly satisfied with the performance of the Internal Audit Unit.

4.2. EXTERNAL AUDIT

The committee has the External Auditors as standing invitees to the committee meetings. The committee discussed the 2023/2024 Auditor General Report and noted the improvement in the number of findings compared to the previous year; the Municipality has maintained a Qualified Opinion for the 2023/24 Financial Year.

The committee acknowledged the material misstatements identified by the Auditor General for the 2023/2024 audit and emphasized the importance of audit readiness to prevent any scope limitations. The Audit Strategy and Engagement Letter were presented to the

committee during a meeting held on 23 August 2024, before the submission of the annual financial statements.

4.3. EFFECTIVENESS OF INTERNAL CONTROL

In light of the internal audit reports presented to the committee for the year ended 30 June 2024, the committee believes that the overall control environment of the KLM has shown improvement during the year under review, compared to previous financial years.

4.4. RISK MANAGEMENT

The committee reviewed the appropriateness of the risk management policy, strategy, methodology, and implementation plan, and made recommendations for management's consideration regarding the current methodology. The annual risk assessment was presented to the committee and recommended for approval by the Council. The committee expressed concerns about the effectiveness of the risk management processes and systems, citing a lack of senior management involvement to implement and institutionalize them. The committee reviewed reports on the strategic risk register and the operational risk register of the business.

4.5. PERFORMANCE MANAGEMENT

The Performance Management System and processes were reviewed, and quarterly performance information was assessed. Unfortunately, these systems were inadequate, and the achievement of the annual targets was low. The committee endorses the priority implementation of all recommendations made by the internal and external auditors. Increased capacity is required to implement the recommendations suggested by the committee, ensuring that the performance management system continues to mature. The manner in which performance reviews are conducted has not improved significantly, as there are still challenges in this regard.

4.6. INFORMATION AND COMMUNICATION TECHNOLOGY

Regarding Information and Communication Technology (ICT) Governance, the committee has reviewed the reports on ICT operations. Significant improvements are needed, particularly in the area of Internet network coverage. The slow or lack of internet coverage on the Municipality's Internet Network, experienced subsequent to the reporting period, highlights the ongoing rise of this risk. The Municipality also needs to continue investing in system integration, as there are still several non-integrated systems across municipal departments. The committee has also recommended that all IT Governance Policies be reviewed.

4.7. TECHNICAL AND COMMUNITY SERVICES

Technical and Community Services were reviewed quarterly, and unfortunately, there were numerous concerns regarding service delivery. The supply of water to different communities in the Kgatelopele Region was a growing issue. Some projects are progressing slowly, causing the municipality to underspend on capital projects, which subsequently results in the need to apply for rollovers. Management and Council should ensure that the Top Layer SDBIP is aligned with the IDP to effectively monitor service delivery and the implementation of projects.

4.8. ANNUAL FINANCIAL STATEMENTS

The 2023/2024 financial statements were compiled by contracted consultants under the supervision of the new CFO and Deputy CFO. The draft Annual Financial Statements were submitted to the Auditor General South Africa on 31 August 2024, in line with the MFMA legislated deadline.

5. REPORTING

The committee submitted its reports on a quarterly basis to Council.

6. RECOMMENDATIONS OF THE AUDIT COMMITTEE

Committee recommendation	Recommendation adopted?
Increase the capacity of the Internal Audit unit to strengthen segregation of duties	Being considered by Accounting Officer and Council
Separate the Risk Manager Position to that of the Occupational Health and Safety	Being considered by Accounting Officer and Council
Fill the vacancy of Corporate Services Directors	Being considered by Accounting Officer and Council
Internal Audit to perform a review of Interim Financial Statement	Being considered by Accounting Officer.
Utilise the Office of AGSA to assist in setting up SMART targets	Being considered by Accounting Officer and Council
Enforce consequence management where deemed necessary	Being considered by Accounting Officer and Council
Risk Manager to report directly to Accounting Officer instead of Strategic Manager	Being considered by Accounting Officer.
Review the organisational structure to ensure that all units are adequately capacitated	Being considered by Accounting Officer and Council
All Municipal Policies to be presented to APRC for review prior to Council	Implemented.

7. CONCLUSION

While the committee strives to add value to strengthen the governance of the municipality, the benefits can only be realized through the concerted efforts of both management and Council in implementing the resolutions and recommendations provided during committee sittings. The committee urges management and Council to work collectively towards achieving better audit outcomes.

BE Mkhwanazi
Chairperson of Audit, Performance and Risk Committee

Date
January 2025