

# Report of the Audit and Performance Committee to the Council of Thulamela Local Municipality for the financial year ended 30 June 2024



We are pleased to present our report for the financial year ended 30 June 2024.

## Background

The Audit and Performance Audit Committee (Committee) is a statutory committee appointed by the Council of Thulamela Local Municipality in terms of section 166 of the Municipal Finance Management Act and paragraph 14 (2)(a) of the Local Government: Municipal Planning and Performance Management Regulations, 2001. Further duties are delegated to the Committee by the council.

The Committee reports that it has complied with its responsibilities arising from section 166 of Municipal Finance Management Act, 2003, (Act 56 of 2003) and paragraph 14 (2)(a) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 and the King IV Report on the Best Practices on Corporate Governance for South Africa. The Committee also reports that it has adopted appropriate formal terms of reference as charter and regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## Audit committee membership

They were two Committees that served during the period under review. The previous Committee only served for the period of July to September 2023 (First Quarter). The term of the first Committee ended on the 30<sup>th</sup> of September 2023.

The following table provides details of the meeting held by the previous Committee during the year financial year under review.

Name of the Member	Qualification s	No. of Meetings	01/08/2023
Ms. Mudau SF - Chairperson	CA(SA); MBA	1/1	<b>Y</b>
Ms. Nepfumbada M	Attorney/LLB/ LLM	1/1	<b>Y</b>
Mr. Mathabathe M	BTech Internal Auditing CIA/CISA/CIS	1/1	<b>Y</b>

### Legend

**Y**     *Attended*

**N**     *Did not attend*

The new Committee was appointed with six (6) members who are all independent and have requisite skills as well as relevant experience. The committee was appointed for the period of three (3) years from 1<sup>st</sup> of October 2023 to 30<sup>th</sup> November 2026.

Two (2) members resigned during the financial year under review. The resigned members are as follows;

1. Mr. Tshikovhi A CA(SA) - 30th of April 2024
2. Mr. Mathabathe M-30th of June 2024

The following table provides details on the record of attendance of the Audit and Performance Committee members during the period under review.

Name of the Member	Qualifications	No. of Meetings	18/12/2023	23/02/2024	15/03/2024	16/05/2024	04/07/2024
Ms. Ramutsheli M.P- Chairperson	Master's degree in Internal Auditing/CIA	5/5	Y	Y	Y	Y	Y
Ms. Mudau F.J- Member	Masters in Business Leadership	4/5	Y	Y	N	Y	Y
Adv. Monare T.L- Member	Masters of Law/LLB	5/5	Y	Y	Y	Y	Y
Mr. Mathabathe M- Member (Resigned)	BTech Internal Auditing CIA/CISA/CIS	1/5	Y	N	N	N	N
Mr. Baloyi N.T- Member	B.sc Honours in Computerized and Applied Mathematics/CISA	5/5	Y	Y	Y	Y	Y
Mr. Tshikovhi A- Member (Resigned)	CA (SA)	2/5	Y	Y	N	N	N

#### Legend

**Y**      *Attended*

**N**      *Did not attend*

The Committees met six (06) times during the financial year under review, in compliance with the approved terms of reference and as required by legislative requirements. The senior management team is a permanent invitee to Committee meetings and have unrestricted access to bring any matter within their scope and responsibility to the attention of the Committee.

#### The effectiveness of internal control

The committee monitored the effectiveness of the internal controls and risk management activities. There were material findings noted on the internal audit reports which highlighted a breakdown of internal controls which should be addressed. The committee is of the opinion that the internal controls of the municipality have been partially effective during the year under review.

This opinion is based on the assessment of internal audit reports, assessment of reports or submission tabled by Management and explanations given by Management regarding some of the challenges, discussions with Internal Audit, and with independent external auditors, on the results of their audits.

There are currently processes underway to enhance the control environment of the Municipality which includes improving performance information systems and annual financial statements.

### **Internal audit**

The internal auditors have a functional reporting line to the Committee and an administrative reporting line to the Municipal Manager.

The Committee assessed the effectiveness of the internal audit function, reviews and approves the Internal Audit Plan and Budget. The Committee monitored and challenged, where appropriate, the action taken by Management regarding adverse Internal Audit findings.

The Committee is satisfied with the independence and objectivity of the Internal Audit function.

### **Risk management**

The risk management processes of the Municipality have shown some improvements during the financial year.

### **Performance management**

The Committee continues to be concerned with the performance management within the Municipality. During the year, the Committee advised the Municipality on how it can improve performance management. The Committee advised Management to benchmark with other Municipalities the processes of streamlining the SDBIP, in order to improve reporting in performance.

The Committee has again noted with concern the findings of the AGSA regarding performance management and has requested management to address those internal control deficiencies.

### **External audit**

The Auditor-General South Africa (AGSA) is the auditor of Thulamela Municipality. The Committee was satisfied that the audit team is independent. The Committee, in consultation with Management, agreed to the engagement letter, audit strategy and audit fees for the financial year ended 30 June 2024.

The Committee:

- Approved the external auditors' audit strategy and related scope of work.
- Monitored the effectiveness of the external auditors in terms of their skills, independence, execution of the audit plan, reporting and overall performance; and
- Considered whether the extent of reliance placed on internal audit by the external auditors was appropriate and whether there were any significant gaps between the internal and external audits.

## **Annual Financial Statements Review**

After having reviewed all submissions by Management and the Annual Financial Statements, the Committee concurs that the adoption of the going concern assumption in the preparation of the financial statements is appropriate and sound.

The Committee has:

- Reviewed and discussed the annual financial statements audited to be included in the annual report, with the AGSA and management.
- Reviewed the AGSA's management report and audit report; and
- Reviewed significant adjustments resulting from the audit.

The Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

## **Reporting**

The Committee submitted quarterly reports to the municipal Council, reporting on matters attended to during the relevant quarter.

## **Appreciation**

The Committee wishes to thank the municipal Council, management, and the staff for their continued commitment to improving the control environment of municipality. Our appreciation is also extended to the team from the AGSA for the value that they continue to add to the municipality.



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Ms. MP Ramutsheli  
Chairperson – Audit and Performance Committee  
Thulamela Local Municipality