

**11.
REPORT OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE
(JAPAC) TO THE OVESTRAND MUNICIPAL COUNCIL**

3/2/3/12

DC Van Der Heever

(028) 313 5035

Internal Audit Services

17 July 2019

1. Executive Summary

The purpose of the report is to present Council with the Reports of the Joint Audit and Performance Audit Committee (JAPAC) in terms of the reporting requirements as per paragraph 3 of the JAPAC Charter, approved by Council on 21 May 2017.

2. Service Delivery and Budget Implementation Plan - IGNITE

Office of the Municipal Manager
Internal Audit Services

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Section 166 of the Local Government: Municipal Finance Management Act, No 56 of 2003
Regulation 14(4)(a) of the Municipal Planning and Performance Regulations
Overstrand Municipality Joint Audit and Performance Audit Committee Charter

6. Background/Discussion

The reporting requirements as per the Joint Audit and Performance Audit Committee (JAPAC) Charter provides that the chairperson of the audit committee will report on a quarterly basis to the Overstrand Municipal Council on the operations of the Internal Audit Unit and the JAPAC.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Report of the Joint Audit and Performance Audit Committee for the 2018/19 Financial Year

RECOMMENDATION TO THE COUNCIL:

that the reports from the JAPAC to the Overstrand Municipal Council **be noted**.

RESPONSIBLE OFFICIAL :**DC VAN DER HEEVER****TARGET DATE FOR IMPLEMENTATION :****31 JULY 2019**

Date: 17 July 2019

To: The Overstrand Municipal Council
c/o The Speaker – Alderman A Coetzee

Copied to:

- Members of the Joint Audit and Performance Audit Committee (for information)
- The Executive Mayor (for information)
- The Municipal Manager (for information)
- Chief Audit Executive (for information)

**REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL
FOR THE 2018/19 FINANCIAL YEAR**

Reporting Requirement(s)

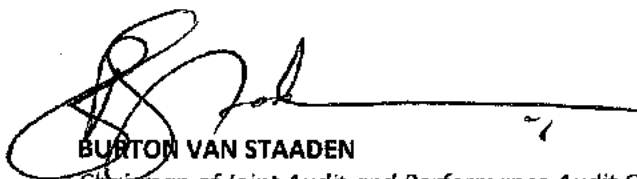
In terms of paragraph 3.7 of the JAPAC Charter, the chairperson of the committee is required to report to the Overstrand Municipal Council on the operations of the Internal Audit unit and the Joint Audit and Performance Audit Committee/ Audit Committee. The reporting should include a summary of the work performed by Internal Audit and the Joint Audit and Performance Audit Committee/ Audit Committee against the annual work plan, issues, and related recommendations.

Attached, please find the following:

Annexure A: Report of the Joint Audit and Performance Audit Committee for the period 01 July 2018 to 31 March 2019.

Annexure B: Report of the Joint Audit and Performance Audit Committee for the period 01 April 2019 to 30 June 2019.

Yours truly



BURTON VAN STAADEN
*Chairman of Joint Audit and Performance Audit Committee
Overstrand Municipality*

Email: burton@vsb.co.za
Cell: 073 212 4875
PO Box 285, CAPE GATE, 7562
84c Barnard Street, BELLVILLE, 7530

(ANNEXURE A)

**OVERSTRAND MUNICIPALITY
REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL
FOR THE 2018/19 FINANCIAL YEAR**

1. REPORT ON ACTIVITIES OF THE JAPAC

During the period 01 July 2018 to 31 March 2019, the JAPAC convened four (4) meetings, namely:

- JAPAC Special Meeting held on 22 August 2018
- JAPAC Meeting held on 18 September 2018
- JAPAC Meeting held on 21 November 2018
- JAPAC Meeting held on 26 February 2019

The attendance of JAPAC members at the meetings of the JAPAC was as follows:

Member	JAPAC Special Meeting 22 August 2018	JAPAC Meeting 18 September 2018	JAPAC Meeting 21 November 2018	JAPAC Meeting 26 February 2019
Mr B van Staaden (Chairperson)	Attended	Attended	Attended	Attended
Mr R Kingwill	Attended	Attended	Attended	Attended
Mr. M Mdludlu	Attended	Attended	Attended	Attended
Mr. T Lesihla	Absent	Resigned from the 14 th September 2018		

2. REPORT ON INTERNAL AUDIT

During the period 01 July 2018 to 31 March 2019 the following internal audit reports/ documents were presented by the Chief Audit Executive and considered by the committee:

Meeting date	Internal Audit Reports
18/09/2018	1. Compliance with fire safety regulations
	2. Inability to perform on mandated fire, rescue and disaster functions (capacity)
	3. Municipal conformance to basic standards of buildings used for crèches (report referred back by JAPAC for additional matters)
	4. Evaluating the Risk Management Process
	5. Salary review (2018/2019)
	6. 1st Bi-Annual Key Control Assessment (for the period April 2018 – June 2018)
21/11/2018	7. Increase in invasion of alien vegetation
	8. Municipal conformance to basic standards of buildings used for crèches
26/02/2019	9. Illegal structures (report referred back by JAPAC for additional matters)
	10. Increase in invasion of alien vegetation
	11. Division of Revenue Act No 3 of 2017
	12. Division of Revenue Act No 1 of 2018

(ANNEXURE A)

**OVERSTRAND MUNICIPALITY
REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL
FOR THE 2018/19 FINANCIAL YEAR**

The JAPAC is satisfied that adequate remedial action is being implemented by management in instances where findings of fundamental or high significance has been reported.

3. INTERNAL AUDIT STAFFING

The JAPAC noted that the Internal Audit Services unit is now fully staffed.

4. RESOLUTIONS OF THE JAPAC

Copies of the minutes of the JAPAC meetings will be forwarded to Council once the minutes has been approved by the JAPAC. The approved minutes of the JAPAC meetings will contain details of all resolutions of the JAPAC.

The following minutes of JAPAC meeting(s) has been approved during this reporting period and is hereby attached:

1. Minutes of JAPAC Meeting held on 22 August 2018 – Annexure C
2. Minutes of JAPAC Meeting held on 18 September 2018 – Annexure D
3. Minutes of JAPAC Meeting held on 21 November 2018 – Annexure E

5. REPORT ON PERFORMANCE MANAGEMENT

At the JAPAC meeting held on 18 September 2018, 21 November 2018 and 26 February 2019, the following quarterly reports in respect of performance management were presented and considered by the JAPAC:

4 th Quarter Reports (01 April 2018 to 30 June 2018)	1. Service Delivery and Budget Implementation Plan
	2. High Level Summary Report: Predetermined Objectives
	3. Internal Audit Report: Predetermined Objectives
1 st Quarter Reports (01 July 2018 to 30 September 2018)	4. Service Delivery and Budget Implementation Plan
	5. High Level Summary Report: Predetermined Objectives
	6. Internal Audit Report: Predetermined Objectives
2 nd Quarter Reports (01 October 2018 to 31 December 2018)	7. Service Delivery and Budget Implementation Plan
	8. High Level Summary Report: Predetermined Objectives
	9. Internal Audit Report: Predetermined Objectives

In reviewing the quarterly reports and the performance management system there were no material findings concerning the usefulness and reliability of the reported information. Where anomalies were identified, appropriate corrective action(s) were taken by management, as per Internal Audit Services recommendations, which included pro-active action by management to prevent a re-occurrence there-of.

(ANNEXURE A)

**OVERSTRAND MUNICIPALITY
REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL
FOR THE 2018/19 FINANCIAL YEAR**

6. REPORT ON RISK MANAGEMENT

At the JAPAC meeting held on 18 September 2018, 21 November 2018 and 26 February 2019, the following quarterly reports in respect of risk management were presented and considered by the JAPAC:

Meeting dates	Risk Management Reports
18/09/2018	1. Risk Management Quarterly Report – Fourth Quarter 2017/ 2018
	2. Consolidated Risk Register as at 11 September 2018
	3. Risk Action Report as at 11 September 2018
21/11/2019	1. Risk Management Quarterly Report – First Quarter 2018/ 2019
	2. Consolidated Risk Register as at 15 November 2018
	3. Risk Action Report as at 15 November 2018
	4. Combined Assurance Model First Quarter 2018/ 2019
	5. Combined Assurance Model First Quarter 2018/ 2019
26/02/2019	None

4. OTHER MATTERS

The JAPAC acknowledges the commendable work done by the municipality on achieving the clean audit for the sixth consecutive year.

7.1 JAPAC REVIEW OF ANNUAL FINANCIAL STATEMENTS (AFS) FOR THE 2017/18 FINANCIAL PERIOD

In reviewing the municipality's AFS there were no material findings concerning the fair presentation of the reported information. Where uncertainties/-concerns were identified, robust and positive discussions were held with management, which included pro-active action (where necessary) by management.

7.2 FUNCTIONING OF JAPAC

The JAPAC noted that one of its members, Mr T Lesihla has been absent for two JAPAC meetings due to other commitments. The Chairperson of the JAPAC has requested Mr T Lesihla to advise the JAPAC in terms of his ability to continue to discharge his responsibilities as a JAPAC member. The JAPAC has subsequently received Mr T Lesihla's resignation letter as a JAPAC member, as from 14 September 2018, due to his other commitments.

5. NEXT MEETING

The next meeting of the JAPAC was scheduled to be held on 30 May 2019.

END

(ANNEXURE B)

**OVERSTRAND MUNICIPALITY
REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL
FOR THE 2018/19 FINANCIAL YEAR**

1. REPORT ON ACTIVITIES OF THE JAPAC

The JAPAC meeting which was scheduled for 30 May 2019 had to be cancelled due to the lack of a quorum as one of the three JAPAC members were unable to attend the meeting. The meeting was then rescheduled and took place on 25 June 2019.

The attendance of JAPAC members at the JAPAC meeting of 25 June 2019 was as follows:

Member	JAPAC Ordinary Meeting 25 June 2019
Mr B van Staaden (<i>Chairperson</i>)	Attended
Mr R Kingwill	Apology
Mr M Mdludlu	Attended
Mr G Serfontein (New Member)	Attended
Ms M Koekemoer (New Member)	Attended

2. REPORT ON INTERNAL AUDIT

During the period 01 April 2019 to 30 June 2019 the following internal audit reports and documents were presented by the Chief Audit Executive and considered, reviewed and approved by the committee:

Meeting Date	Internal Audit Reports
25/06/2019	1. Theft & Vandalism
	2. Armed Robberies (susceptibility of armed robberies at municipal buildings)
	3. Evaluating the Risk Management Process
	4. Follow-up - Municipal buildings used as partial care facilities
	5. Follow-up- Ageing and deterioration of fleet and small plant
	6. Combined Assurance (First & Second Bi - Annual Review)
	7. Key Control Assessment 2nd Bi-Annual Review
	Documents Considered, Reviewed and Approved by JAPAC
	1. Joint Audit & Performance Audit Committee Charter
	2. Internal Audit Charter
	3. 2019/20 Risk-Based Audit Plan and Internal Audit Program

The JAPAC is satisfied that adequate remedial action is being implemented by management in instances where findings of fundamental or high significance has been reported.

(ANNEXURE B)

**OVERSTRAND MUNICIPALITY
REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL
FOR THE 2018/19 FINANCIAL YEAR**

3. INTERNAL AUDIT STAFFING

The JAPAC noted that the Internal Audit Services unit is now fully staffed.

4. RESOLUTIONS OF THE JAPAC

Copies of the minutes of the JAPAC meeting will be forwarded to Council once the minutes has been approved by the JAPAC. The approved minutes of the JAPAC meeting will contain details of all resolutions of the JAPAC.

The following minutes of JAPAC meeting have been approved during this reporting period and is hereby attached:

1. Minutes of JAPAC Meeting held on 26 February 2019 – *Annexure F*

5. REPORT ON PERFORMANCE MANAGEMENT

During the reporting period, the following third quarter reports in respect of performance management were presented and considered by the JAPAC:

3 rd Quarter Reports (01 April 2019 to 30 June 2019)	1. Service Delivery and Budget Implementation Plan
	2. High Level Summary Report: Predetermined Objectives
	3. Internal Audit Report: Predetermined Objectives

In reviewing the third quarter reports and the performance management system there were no material findings concerning the usefulness and reliability of the reported information. Where anomalies were identified, appropriate corrective action(s) were taken by management, as per Internal Audit Services recommendations, which included pro-active action by management to prevent a re-occurrence there-of.

6. REPORT ON RISK MANAGEMENT

During the reporting period, the following quarterly reports in respect of risk management were presented and considered by the JAPAC:

Meeting Date	Risk Management Report(s)
25/06/2019	1. Risk Assist Report

The JAPAC is extremely concerned that there is not a functioning risk management unit within the municipality as this may severely impact the ability of management to effectively manage risks within the organisation.

The reporting in respect of risk management by management to the JAPAC is inadequate and negatively impact on the ability of the JAPAC to effectively discharge its oversight responsibilities in respect of risk management.

(ANNEXURE B)

**OVERSTRAND MUNICIPALITY
REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL
FOR THE 2018/19 FINANCIAL YEAR**

7. INTERNAL AUDIT SERVICES

The JAPAC acknowledges and is satisfied with the work done by the municipality's Internal Audit Services department.

8. FUNCTIONING OF JAPAC

The JAPAC welcomed the decision by Council to advertise the JAPAC vacancies and the subsequent appointment of two new JAPAC members *i.e.* Ms Mariska Koekemoer and Mr Gideon Serfontein with effect from 03 June 2019 on a three (3) year term.

9. NEXT MEETING

The next meeting of the JAPAC will be a special meeting scheduled for 21 August 2019 to review the 2018/19 Draft Annual Financial Statements.

END

(Annexure C)



**SPECIAL MEETING OF THE JOINT AUDIT AND
PERFORMANCE AUDIT COMMITTEE**

**SPESIALE VERGADERING VAN DIE GESAMENTLIKE
PRESTASIE OUDIT EN OUDIT KOMITEE**

MINUTES / NOTULE

DATE / DATUM: 22 AUGUST 2018
(WEDNESDAY / WOENSDAG)

VENUE / PLEK COMMITTEE ROOM / KOMITEEKAMER
(GLASKAS)
CIVIC CENTRE / BURGERSENTRUM
HERMANUS

TIME / TYD 14:00HRS



MINUTES OF A MEETING OF THE SPECIAL JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD IN THE COMMITTEE ROOM (GLASKAS) CIVIC CENTRE, HERMANUS ON WEDNESDAY, 22ND OF AUGUST 2018 AT 14:00

1. OPENING BY CHAIRPERSON

The Chairperson, Mr B Van Staaden, welcomed everyone present at the special Joint Audit & Performance Audit Committee meeting during which the Draft Annual Financial Statements (AFS) for the year ended 30 June 2018 was discussed.

2. APPLICATION(S) FOR LEAVE OF ABSENCE

Apologies received from the following officials/members:

T Lesihla (JAPAC Member)
C Groenewald (Municipal Manager)
Z Mazuthu (Internal Auditor).

Persons present - as per attached attendance register.

3. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON

No further statements and communications expressed by the Chairperson.

4. PRESENTATION: DRAFT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The Chairperson granted the CFO an opportunity to provide feedback and to respond to further questions from the JAPAC members.

The CFO gave feedback on all of the questions that were received from the JAPAC beforehand and answers thereto. See *Annexure A*

5. FOLLOW-UP QUESTIONS/ COMMENTS I.R.O. THE DRAFT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The following questions/ comments were raised by JAPAC members during the meeting:

1. Re: Note 7 – Post-employment benefit obligations

The key assumptions used at the reporting date were the same as the previous year, are these correct?

The Manager- Financial Accounting: confirmed that at this point in time it is still correct as the municipality is waiting for the final actuarial report.

2. Re: Note 11 – Receivables from Non-Exchange transactions

To expand on the "control accounts – sundry". To add a one liner to give a brief description on what "control accounts – sundry" relates to.

The CFO indicated that the municipality will consider this.

3. Re: Note 17 Provisions – Rehabilitation of tip sites

When it is expected that the tip sites be rehabilitated and is the municipality in process of rehabilitation of a tip site?

The CFO indicated that there is more than one tip site, and currently the Hawston tip site is being rehabilitated.



The Deputy Director: Finance and SCM informed the committee that the municipality derecognized the provision: clearing of alien vegetation. It is no longer a provision as it is an ongoing obligation mandated to the municipality. It is included under operations rather than under provisions.

4. *Re: Note 20 Property rates – Income forgone*

Why is there no similar item recorded in the 2018 financial year end as recorded in the 2017 financial year end.

The Manager: Financial Accounting indicated that in the 2018 financial year end it is included in the income according to mSCOA (latest version). The municipality will have to determine the recording of this item to ensure consistency.

5. *Re: Note 26 Employee related costs – Remuneration of Municipal Manager.*

The JAPAC enquired about the capping of the remuneration of the municipal manager, does it affect any disclosure in the AFS?

The CFO indicated that there was an outcome received from COGTA and implemented.

6. *Re: Note 40 Commitments – Expenditure approved but not yet contracted for*

The amount of R190 350 087 that has been approved but not yet contracted, the JAPAC enquired whether this was a pending roll-over issue? The JAPAC suggested that the department looks into the recording/ disclosure of this item as this is an item that users would note for efficiency of the municipality.

The Senior Manager: Financial Services explained that is the amount that is approved by Council, it is the capital expenditure budget for the following year. The Finance department noted the JAPAC suggestion.

The CFO indicated that they are reporting in accordance with GRAP standards but will take into consideration the suggestion of the JAPAC.

7. *Re: Note 47 Irregular expenditure*

The JAPAC enquired about the status of dealing with these irregular expenditures and what is done by the municipality to conclude this.

The Deputy Director: Finance and SCM indicated that a process is followed to either recover/ write-off these amounts and investigations are conducted and sent to Council to approve the write-off.

The CFO indicated that the department takes note of this and will look into this issue.

The JAPAC requested that a list of SCM deviations (summary) be submitted to the JAPAC members for inclusion in the next ordinary JAPAC meeting agenda.

Action Item 01 of 22 August 2018

The JAPAC requested a list of SCM deviations (summary) be submitted and included in the agenda of the next ordinary JAPAC meeting.
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8. *The JAPAC noted that the Draft AFS presented in this financial year were not as timely prepared as opposed to the previous year and whether there were any issues/ complications to have the AFS presented this year.*



Special Joint Audit & Performance Audit Committee meeting
Minutes of meeting: 22 August 2018

The CFO indicated that there were issues. Year –end finalisations that still needed to be included and that the Finance department worked hand-in-hand with other departments to ensure that the Draft AFS are presented and finalised.

RESOLVED

That cognizance be taken of the content of the draft Annual Financial Statements for the year ended 30 June 2018 and that satisfactory responses were received from the CFO and the Finance team on questions/ comments raised by the JAPAC thereto.

6. GENERAL

No further items were listed for discussion.

7. CLOSING

The meeting closed at 15:00.


B. VAN STAADEN
CHAIRPERSON

21/11/2018
DATE:



Special Joint Audit & Performance Audit Committee meeting
Minutes of meeting: 22 August 2018



**ATTENDANCE REGISTER OF THE SPECIAL JOINT AUDIT AND PERFORMANCE
AUDIT COMMITTEE (JAPAC) MEETING**

Held in the Committee Room (Glaskas) White House, Civic Centre, HERMANUS,
on Wednesday, 22 August 2018 at 14:00.

1. Do you or your partner have any financial or other interest in the subject matter of the meeting, which may be considered as constituting a real, potential, or apparent conflict of interest? Y/N
2. Is there anything else, or the perception by others, that could affect your objectivity and independence in this meeting? Y/N

By signing this register, I hereby declare that the disclosed information is correct and no other situation of real, potential or apparent conflict of interest is known to me. I undertake to inform the meeting of any status changes that may be brought to light as a result of any issue that may arise as the meeting progresses. I also undertake to timely inform the department of any changes in these circumstances during the period when I am still serving as an Audit Committee member.

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
B Van Staaden	Chairperson JAPAC		No.	No.
R Kingwill	Member		No	No.
M Mdludlu	Member		No.	No.
T Lesihla	Member	Apology	..	-

NAME	POSITION	SIGNATURE
Ald D Coetzee	Executive Mayor	
Cllr R de Coning	Finance Portfolio	
Cllr A Komani	Management Services Portfolio	
C Groenewald	Municipal Manager	ON LEAVE
D Arrison	Director: Management Services	
S Reyneke- Naude	Director: Finance (CFO)	
D Van Der Heever	Chief Audit Executive (CAE)	
C Le Roux	Deputy Director: Finance & SCM	
B King	Senior Manager: Financial Services	
V Allen	Manager: Financial Accounting	
R Africa	Internal Auditor	
Z Mazuthu	Internal Auditor	ON LEAVE
E Essop	Internal Auditor	
N Tsholoba	Intern: Finance	
S Mvaba	Intern: Internal Audit	
N Ndamele	AGSA - SM	
D du Toit	AGSA - Asst Manager	



Special Joint Audit & Performance Audit Committee meeting
Minutes of meeting: 22 August 2018

OVERSTRAND
AFS QUERIES - 2018

Annexure A
Page 1 of 2

GENERAL			
Please confirm if the municipal audit file is prepared in line with the applicable standards and guidance contained in MFMA Circular 50, or as updated			
Yes			
Is there anything in financial statements that is of concern to management and that the Audit Committee should take note of?			
None			
What key financial statement preparation control procedures were implemented to ensure that the financial statements produced are accurate and complete and comply with GRAP financial reporting standard. (i.e. review of reconciliations, consistency reviews, etc.)			
Comprehensive financial year-end / AFS Programme, inclusive of weekly meetings to monitor progress; Consistency reviews by Drakenstein Mun & Provincial Treasury			
Did management evaluate key financial ratios and if so, what are their interpretation thereof?			
Financial performance Financial position			
National KPI's for financial viability and management:			
Cost Coverage: Available cash + Investments/monthly fixed operational expenditure 6.56 (from 5.18 for 2016/17)			
Debt Coverage: Total Opex Revenue – Opex Grants/Debt service payments due within financial year 20.39 (from 20.09 for 2016/17)			
Outstanding Debtors to Revenue: Total outstanding service debtors/annual revenue received for services 10.52% (from 9.86 for 2016/17)			
Debtors Collection Rate improved from 99.44% to 99.64% to.			
Also refer Annual Report , Chapter 5, and Financial Health Overview			
Were all material issues in prior reports by the AGSA been appropriately accounted for, resulting in fair presentation?			
No outstanding material issues			
Were there any changes in accounting policies which impacted the current year's financial statements?			
None			
AFS SPECIFIC			
P5 – Cashflow statement: Please provide detail relating to sale of investment property R75m. (Note 2, disposals R50m... was investment property disposed at price 50% above market value?)			
IP LAND			
DEVELOPED RESIDENTIAL PROPERTY	11456	550 000.00	560 250.00
VACANT LAND	2834	36 000 000.00	36 822 611.41
CAPITAL APPRECIATION	2366	14 138 080.92	16 123 126.49
IP BUILDINGS			
DEVELOPED RESIDENTIAL PROPERTY	11456	184 000.00	186 750.00
		50,872m	75,692m
Profit R20,8m for Commonage and & R3,9m for Circus Land			
Note 4: Intangible assets: Please re-check headings (page 27) as these are inconsistent for listed items (page 26).			
Noted, under consideration.			
Note 5: Heritage assets: Why accumulated impairment loss of R9,25m (was not in prior year)			
Now corrected, in prior year.			
Note 6: Other financial assets: Remove "Terms and conditions"			
Now corrected			
Consider adding more information to explain purpose of this "Sinking funds"			
Sinking Fund in nature for loan bullet payment.			
Note 7: Post employment benefit obligations: Provide detail for "The members of Post-employment health			



Special Joint Audit & Performance Audit Committee meeting
Minutes of meeting: 22 August 2018

Annexure A
Page 2 of 2

OVERSTRAND
AFS QUERIES - 2018

<p>care benefits plan are made up as follows:" ???: 361 ???: 80 To be corrected</p>
<p>Note 11 – Receivables from non-exchange transactions: What is "Control accounts – sundry"? Consider renaming this item. In nature normal day to day Sundry Control Accounts, example: Enatis, etc.</p>
<p>Note 11 – Receivables from non-exchange transactions: P31 – Why was there no "Amounts written off as uncollectible" in current year (PY: R14,488m) Previous year related to specific circumstances – Run dry period</p>
<p>P31 – I cannot see to what the footnote 1 "See Note 13 for further details of receivables..." relate to. Relate to Note 10, to be corrected.</p>
<p>Note 14 – Cash and cash equivalents: Why was there a credit balance of R4.1m (cashbook balance) on ABSA Cheque 406-657-8021? To be addressed - related to income allocation.</p>
<p>Note 54 – Budget differences: Some of the explanations for budget differences are not clear enough. Please avoid statements such as differences "can be due to...", "could be as a result of..." Revenue Fines – 24% : What additional information was acquired? Other income: Revenue was less than budget... incorrect explanation Interest received – Why was interest received higher than budget... Where there delays in projects, etc resulting in monies being held in bank/investment accounts? Expenditure Materials 36.2%: Reason speculative... "can be due to..." Stmnt of Fin.Pos Cash and cash equivalents – Variance of R92m cannot be explained by savings on expenditure (R23m) alone. Under consideration / this note is still in progress</p>
<p>SCM Deviations Please provide a summary (can be a pivot table) on total value (sum) of deviations per supplier and number (count) of deviations. List to be provided.</p>

(Annexure D)



**MEETING OF THE JOINT AUDIT AND PERFORMANCE
AUDIT COMMITTEE**

**VERGADERING VAN DIE GESAMENTLIKE PRESTASIE
OUDIT EN OUDIT KOMITEE**

MINUTES / NOTULE

DATE / DATUM: 18 SEPTEMBER 2018
(TUESDAY / DINSDAG)

VENUE / PLEK COMMITTEE ROOM / KOMITEEKAMER
INTERNAL AUDIT OFFICES
NERINA HOUSE/ HUIS,
HERMANUS

TIME / TYD 11:00HRS



MINUTES OF A MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD IN THE COMMITTEE ROOM, INTERNAL AUDIT OFFICES, NERINA STREET, HERMANUS ON TUESDAY, 18TH OF SEPTEMBER 2018 AT 11:00

1. OPENING BY CHAIRPERSON

The Chairperson, B Van Staaden welcomed everyone present at the meeting.

2. APPLICATION(S) FOR LEAVE OF ABSENCE

Apologies received from the following officials/ members:

1. T Lesihla (Member)
2. Cllr A Komani (Management Services Portfolio)
3. A Riddles (Chief Risk Officer)
4. W Louw (Intern: Risk Officer)
5. Z Mazuthu (Internal Auditor)

The JAPAC was informed that Mr T Lesihla as of 14 September 2018 has resigned with immediate effect as a member of the Committee.

Persons present - see the attached attendance register.

3. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON

The Chairperson

- It should be noted that there was a special meeting dated, 22 August 2018 where the draft Annual Financial Statement (AFS) were discussed.
- The Chairperson received an invitation to the Bi-annual Performance Evaluations of the Municipal Manager and Directors for the 24th October 2018.
- The JAPAC Report to Council for the fourth quarter was submitted and will be tabled in the next Council meeting *i.e* 26 September 2018.
- The CAE to identify relevant dates of the next JAPAC meetings.
- The External Quality Assurance Review (QAR) has commenced and the JAPAC expects the report to be tabled at the February JAPAC meeting scheduled to be held in February 2019.
- The CAE to attend to the performance evaluations of the JAPAC and Internal Audit Unit.
- The CAE to ensure that the work plan of the JAPAC is incorporated in the agenda of the JAPAC and updated regularly.

4. CONFIRMATION OF PREVIOUS MINUTES

4.1 27 June 2018: Ordinary JAPAC meeting

The JAPAC considered the minutes of the ordinary JAPAC meeting dated 27 June 2018.

The JAPAC made the following changes to the minutes;

Page 4 – sentence in the second bullet to be revised.

Page 6 – sentence to read as “since no questions were raised the JAPAC noted the content of the report”

Page 7: Item 7.1 - bulleted sentence to be revised.

RESOLVED

That the minutes of the JAPAC meeting dated 27 June 2018 be referred back for correction and be presented at the next JAPAC meeting.

That the minutes of the special JAPAC meeting dated 22 August 2018 be adopted.

5. MATTERS ARISING FROM THE PREVIOUS MINUTES



- 5.1 Item 01 of 27/06/2018 was dealt with in this meeting (closed off).
5.2 Item 02 of 27/06/2018 was dealt with in this meeting (closed off).
5.3 Item 03 of 27/06/2018 noted.
5.4 Item 04 of 27/06/2018 will be monitored for future references.
5.5 Item 02 of 22/08/2018 was dealt with in this meeting (closed off).

6. STANDING ITEMS

**6.1. QUARTERLY BUDGET STATEMENT REPORT
FOURTH QUARTER (APRIL 2018 – JUNE 2018) FOR THE FINANCIAL YEAR 2017/2018**

The Budget Statement Report was presented to the JAPAC, a few comments/ questions were raised:

The JAPAC enquired whether there were any material deviations after the discussion of the draft Annual Financial Statements (AFS) special meeting that the Committee should be informed of.

The CFO indicated changes to the impairment calculation, fines and post retirement benefits but none had a material impact on the AFS.

RESOLVED

The JAPAC noted the Budget Statement Report: Fourth Quarter (April 2018 – June 2018) for the financial year 2017/2018.

**6.2. REPORT: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)
FOURTH QUARTER (APRIL 2018 – JUNE 2018) FOR THE FINANCIAL YEAR 2017/2018**

The JAPAC reviewed the contents of the report, a few comments/ questions were raised:

The JAPAC wanted assurance on the Disaster Management Plan and what is being done to address/ comply with this issue.

The Municipal Manager explained that there is a Disaster Management Plan.

RESOLVED

The JAPAC noted the SDBIP Report: Fourth Quarter (April 2018 – June 2018) for the financial year 2017/2018.

6.3. DEBT COLLECTION REPORT

The Debt Collection Report: Fourth Quarter (April 2018 – June 2018) for the financial year 2017/2018 was presented to the JAPAC for review.

The CFO gave an overview of the report and the main focus of the department going forward.

RESOLVED

The JAPAC noted the Debt Collection Report: Fourth Quarter (April 2018 – June 2018) for the financial year 2017/2018.

6.4. CREDITORS REPORT

The Creditors Report: Fourth Quarter (April 2018 – June 2018) for the financial year 2017/2018 was presented to the JAPAC for review, a few comments/ questions were raised:

The JAPAC suggested that additional information to the top 20 Creditors report be added. The JAPAC requested that the details and nature of payments to creditors be included



in the report.

Action Item 01 of 18 September 2018

The JAPAC requested that the details and nature of payments to creditors be included in the report.

RESOLVED

The JAPAC noted the Creditors Report: Fourth Quarter (April 2018 – June 2018) for the financial year 2017/2018.

6.5. AUDIT ACTION PLAN AS AT 22 AUGUST 2018

The JAPAC reviewed the content of the report, a few comments/ questions were raised:

The JAPAC raised concern on the performance/ lack thereof in Treasury as an institution mandated to assist Municipalities in discharging their obligations/ delivery of service in relation to the External Quality Assessment re Internal Audit departments.

The JAPAC requested that the letter received from Provincial Treasury relating to the External Quality Assessment be circulated to the JAPAC members.

Action Item 02 of 18 September 2018

The JAPAC requested that the letter received from Provincial Treasury be circulated to the JAPAC members.

RESOLVED

The JAPAC noted the Audit Action Plan as at 22 August 2018 for the financial year 2017/2018.

6.6. RISK MANAGEMENT

6.6.1. Risk Management Quarterly Report

The Risk Management Quarterly Report was presented to the JAPAC, a few comments/ questions were raised:

The JAPAC noted that one of the high strategic risks of the Municipality was "lack of water resources" and enquired the reason(s) thereto. The JAPAC also wanted to know if there were educational programmes/ awareness of the importance of saving water.

The Municipal Manager responded that this was due to the current dam levels, water restrictions were implemented to the Greater Hermanus area but the Municipality still considers the risk to be significant.

The JAPAC further wanted clarity on the operational risk *i.e* lack of sufficient weaponry and protection gear for law enforcement and traffic officers and what this meant.

The Municipal Manager explained that with the recent events (unrest/ protests) that occurred in the area, it was found that the officers of the Municipality were not equipped/ do not have protective gear to deal with violent situations hence budgeting has been looked at to address this risk.

The JAPAC emphasized that most of the operational risks could be addressed by a Disaster Management Plan.

Management responded that there is a Disaster Management Plan.

The JAPAC requested that the Disaster Management Plan be tabled at the next JAPAC meeting.



Action Item 03 of 18 September 2018

The JAPAC requested that the Disaster Management Plan be tabled at the next JAPAC meeting.

6.6.2. Risk Register for 2018/ 2019

The Risk Register was presented to the JAPAC, a few comments/ questions were raised:

The JAPAC raised concern on the content/ information presented; one example was when the inherent risk was medium and controls were perceived to be "moderately effective" but the residual risk rating is high regardless of the controls put in place. The Committee considered this to be incorrect/ inconsistent and suggested that the information presented should be correct as the Committee had previously raised the same concern(s).

6.6.3. Risk Action Report as at 11 September 2018

The Risk Action Report was presented to the JAPAC, a few comments/ questions were raised:

The JAPAC requested that the Report be categorized according to the risk(s) to link to the Risk Register.

Action Item 04 of 18 September 2018

Risk actions as per the Risk Action Report must be categorised according to the risks in order to link the risk actions to the risks as per the Risk Register.

RESOLVED

That cognizance is taken of the content of the Risk Management Report(s). The JAPAC noted the Report(s).

6.7. COMPLIANCE WITH GIFT POLICY – GIFT REGISTERS FROM DIRECTORATES

Gift register/ declaration was submitted to the JAPAC for consideration.

RESOLVED

That cognizance is taken of the gift register/ declaration submitted for consideration.

6.8. INTERNAL AUDIT SERVICES (IAS) INDEPENDENCE AND OBJECTIVITY

IAS Declaration of Independence and Objectivity is based on the International Standards for the Professional Practice of Internal Auditing. The following standards are quoted:

Standard 1100 – Independence and Objectivity

The Internal Audit Activity (IAA) must be independent, and internal auditors must be objective in performing their work.

Standard 1110 – Organizational Independence

The Chief Audit Executive (CAE) must report to a level within the organization that allows the IAA to fulfill its responsibilities. The CAE must confirm to the Audit Committee, at least annually, the organizational independence of the IAA.

Standard 1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

RESOLVED



That cognizance is taken of IAS independence and objectivity declaration.

6.9. SCOPE LIMITATIONS

The CAE reported the following scope limitation to the JAPAC.

Internal Audit Report: *Compliance with fire safety regulations.*

AUDIT CONCLUSION

Due to the scope limitation IAS can only express an opinion on the audit work performed. Accordingly, IAS cannot express an opinion on the control environment pertaining to compliance with SANS 10090:2003 Section 8.2 & 8.3 and Plot Clearing.

RESOLVED

That cognizance is taken of the reporting i.r.o scope limitations experienced.

6.10. CAE STATUS REPORT

The CAE informed the Committee about the status of the internal audit activity.

RESOLVED

The JAPAC noted the content of the CAE status report.

7. ITEM(S) FOR DISCUSSION/ NOTING

7.1. Supply Chain Management Summary Deviations

The JAPAC reviewed the content of the report, a few comments/ questions were raised:

The JAPAC had previously raised this concern and noted that the Municipality predominantly makes use of one legal firm (FairBridges) for their legal matters and wanted reason(s) in this regard.

The Executive Mayor explained that the firm has a specialist who deals specifically with local government matters and that there are only two law firms who are familiar with local government in the province. Also regard has to be taken that for the Municipality to go out on a tender for legal consultations would be complicated based on the complexity of the matter/ case hence the Municipality opted to use a law firm for its legal matters.

RESOLVED

That cognizance is taken of the Supply Chain Management Summary Deviations.

8. INTERNAL AUDIT REPORTS

8.1.1 Compliance with fire safety regulations

The report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

Audit Opinion/ Conclusion

Due to the scope limitation IAS can only express an opinion on the audit work performed. Accordingly, IAS cannot express an opinion on the control environment pertaining to compliance with SANS 10090:2003 Section 8.2 & 8.3 and Plot Clearing.

However based on the audit work performed a control framework was in place during 2017/18 financial year regarding compliance with legislative requirements as prescribed in SANS 10090:2003 *Community Protection against Fire, Section 8.4 Reviewing Building Plans.*



Action Item 05 of 18 September 2018

The JAPAC referred the report back. The scope of the audit is clarified and clearly articulated.

Audit Opinion/ Conclusion

Based on the above audit work performed and observations made, Internal Audit Services (IAS) is of the opinion that the current control environment pertaining to the municipality's conformance to basic standards relating to buildings that are used as crèches is inadequate.

In addition to the above, and given the risk actions scheduled to be completed by 22 December 2017 and 31 May 2018 respectively, Internal Audit Services is of the opinion that a follow-up audit be conducted.

RESOLVED

The JAPAC referred the Municipal conformance to basic standards of buildings used for crèches report back.

8.1.4 Evaluating the Risk Management Process

The report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

Audit Opinion/ Conclusion

Based on the above audit work performed, Internal Audit Services (IAS) is of the opinion that the risk management process and its accompanied methodology are effective in order to provide the necessary assurance that significant risks are effectively managed. Due to the fairly new establishments of the risk management function, there is still opportunity for improvement.

RESOLVED

That cognizance is taken of the content of the report *i.e* Evaluating the Risk Management Process.

8.1.5 Illegal structures

The JAPAC noted the report. The report was however withdrawn by management due to the non-finalisation and feedback still pending from Manager: Building Services and other departments.

RESOLVED

The Illegal structures report be withdrawn as per management request. The JAPAC noted that the report be withdrawn on the behest of management.

8.1.6 Salary review (2018/2019)

The review was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

Audit Opinion/ Conclusion

Based on the audit work performed, reasonable assurance is provided on the mathematical accuracy regarding the percentage increase and the application thereof in the calculation of the **2018/19 new salary and wage scales**, which were prepared by the Finance Directorate (Salary department). While "round off" discrepancies were identified, these were considered to be immaterial.

RESOLVED



Joint Audit & Performance Audit Committee meeting
Minutes of meeting: 18 September 2018

That cognizance is taken of the Salary review report 2018/2019.

8.2 COMPLIANCE REPORTS

8.2.1 HIGH LEVEL REPORT & DETAILED REPORT

The high level and detailed report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

RESOLVED

That cognizance is taken of the report on the Predetermined Objectives (PDO): high level and detailed report, Fourth Quarter (April 2018 – June 2018) for the financial year 2017/ 2018.

8.2.2 BI- ANNUAL KEY CONTROL ASSESSMENTS

The detailed and dashboard report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

RESOLVED

That cognizance is taken of the report on the Predetermined Objectives (PDO): High level and detailed report, Fourth Quarter (April 2018 – June 2018) for the financial year 2017/ 2018.

9. GENERAL

- The JAPAC requested a closed session with the Municipal Manager.
- The Municipal Manager gave an update on the court case between the WSSA, the municipality and Veolia.

10. NEXT MEETING

The next JAPAC meeting is scheduled for 21 November 2018.

11. CLOSING

The meeting closed at 12:48.


B. VAN STAADEN
CHAIRPERSON

26/02/2019
DATE



Joint Audit & Performance Audit Committee meeting
Minutes of meeting: 18 September 2018



Joint Audit & Performance Audit Committee meeting
Minutes of meeting: 18 September 2018



ATTENDANCE REGISTER OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) MEETING
Held in the Committee Room (Internal Audit) Magnolia House, Nerina Street, HERMANUS, on Tuesday, 18 September 2018 at 11:00.

1. Do you or your partner have any financial or other interest in the subject matter of the meeting, which may be considered as constituting a real, potential, or apparent conflict of interest? Y/N
2. Is there anything else, or the perception by others, that could affect your objectivity and independence in this meeting? Y/N

By signing this register, I hereby declare that the disclosed information is correct and no other situation of real, potential or apparent conflict of interest is known to me. I undertake to inform the meeting of any status changes that may be brought to light as a result of any issue that may arise as the meeting progresses. I also undertake to timely inform the department of any changes in these circumstances during the period when I am still serving as an Audit Committee member.

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
B Van Staaden	Chairperson JAPAC		No	No
R Kingwill	Member		No	No
M Mdludlu	Member		None	None
T Lesihla	Member	RESIGNED	-	-

NAME	POSITION	SIGNATURE
Ald D Coelzee	Executive Mayor	
Cllr R de Coning	Finance Portfolio	
Cllr A Komani	Management Services Portfolio	APOLONY
C Groenewald	Municipal Manager	
D Arrison	Director: Management Services	
S Reyneke- Naude	Director: Finance (CFO)	
R Louw	Senior Manager: Strategic Services	
D Van Der Heever	Chief Audit Executive (CAE)	
A Riddles	Chief Risk Officer (CRO)	Apology
W Louw	Risk Officer: Intern	Apology
R Africa	Internal Auditor	
Z Mazuthu	Internal Auditor	ON LEAVE
E Essop	Internal Auditor	
N Tsholoba	intern: Finance	
S Mvaba	Intern: Internal Audit	

(Annexure E)



**MEETING OF THE JOINT AUDIT AND PERFORMANCE
AUDIT COMMITTEE**

**VERGADERING VAN DIE GESAMENTLIKE PRESTASIE
OUDIT EN OUDIT KOMITEE**

MINUTES / NOTULE

DATE / DATUM: 21 NOVEMBER 2018
(WEDNESDAY / WOENSDAG)

VENUE / PLEK: COMMITTEE ROOM / KOMITEEKAMER
(GLASKAS) MAGNOLIA HOUSE/ HUIS,
CIVIC CENTRE / BURGERSENTRUM
HERMANUS

TIME / TYD: 14:00HRS



MINUTES OF A MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD IN THE COMMITTEE ROOM (GLASKAS), CIVIC CENTRE, HERMANUS ON WEDNESDAY, 21ST OF NOVEMBER 2018 AT 14:00

1. OPENING BY CHAIRPERSON

The Chairperson, B Van Staaden welcomed everyone present at the meeting.

2. APPLICATION(S) FOR LEAVE OF ABSENCE

Apologies received from the following officials:

1. C Groenewald (Municipal Manager)
2. R Louw (Senior Manager: Strategic Services)

The JAPAC was informed that the Risk Officer: Intern, Mr W Louw has resigned as of 16 November 2018.

Persons present - see the attached attendance register.

3. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON

The Chairperson

- The Chairperson attended the Bi-annual Performance Evaluations of the Municipal Manager and Directors on the 24th October 2018.
- The JAPAC noted the Public Audit Act Amendment Bill that was gazetted and the underlying factor of the Auditor General being given powers to investigate irregular expenditures in the different spheres of government.
- The acting Municipal Manager informed the JAPAC of the achievements of the risk management unit; the Chief Risk Officer was the runner-up for the *Risk Manager of the Year* award and the Risk Management Shared Services won the award for *Best Public Sector/ Local Government Industry Initiative for the Business Continuity Management Framework*. The JAPAC congratulated the unit on these achievements.

4. CONFIRMATION OF PREVIOUS MINUTES

4.1 18 September 2018: Ordinary JAPAC meeting

The JAPAC considered the minutes of the ordinary JAPAC meeting dated 18 September 2018.

The JAPAC made the following changes to the minutes;

1. On page 2: change 2018 to 2019
2. On page 2: insert the word "be" and delete the word "ordinary" under the heading "Resolved"
3. On page 3: delete the words "Third Quarter" under point 6.4 Creditors Report
4. On page 4: under paragraph 6.5 - 2nd paragraph included the following after service "*in relation to External Quality Assessment re Internal Audit Departments*".
5. On page 4: under paragraph 6.5 - 3rd paragraph insert the following after Treasury "*relating to the External Quality Assessment*"
6. On page 5: delete the initial Action Item No.4 and insert the following "*Risk actions as per the Risk Action Report must be categorised according to the risks in order to link the risk actions to the risk as per the risk register*"
7. On page 6: under par 7.1 2nd paragraph insert the word "*predominantly*" after Municipality.

RESOLVED

That the minutes of the JAPAC meeting dated 18 September 2018 be adopted with the changes.



5. MATTERS ARISING FROM THE PREVIOUS MINUTES

- 5.1 Item 03 of 27/06/2018 will be monitored for future references.
- 5.2 Item 04 of 27/06/2018 will be monitored for future references.
- 5.3 Item 01 of 18/09/2018 was dealt with in this meeting (closed off).
- 5.4 Item 02 of 18/09/2018 noted.
- 5.5 Item 03 of 18/09/2018 noted.
- 5.6 Item 04 of 18/09/2018 was dealt with in this meeting (closed off).
- 5.7 Item 05 of 18/09/2018 was dealt with in this meeting (closed off).

Matter(s) to be included in the register:

Item 01 – The CAE to provide the JAPAC with relevant dates for the next JAPAC meetings

Item 02 - The CAE to attend to the performance - evaluations of the JAPAC and the Internal Audit Unit

Item 03 – The CAE to include and inform the JAPAC on the work plan of the Committee and this must be incorporated in the agenda and updated regularly.

Action Item 01 of 21 November 2018

The CAE to provide the JAPAC with relevant dates for the JAPAC meetings

Action Item 02 of 21 November 2018

The CAE to attend to the performance - evaluations of the JAPAC and the Internal Audit Unit

Action Item 03 of 21 November 2018

The CAE to include and inform the JAPAC on the work plan of the Committee and this must be incorporated in the agenda and updated regularly.
--

6. STANDING ITEMS

6.1. QUARTERLY BUDGET STATEMENT REPORT FIRST QUARTER (JULY 2018 – SEPTEMBER 2018) FOR THE FINANCIAL YEAR 2018/2019

The Budget Statement Report was presented to the JAPAC, a few comments/ questions were raised:

- The JAPAC enquired about the housing issue and the possible impact and what is being done to address the issue.
- The JAPAC then further enquired from management if any undertaking was made to the community by the municipality.
- The JAPAC enquired about debt, debt impairment and the interest on debt impairment.

The CFO gave an overview of the report and addressed the comments/questions raised by the JAPAC.

The Executive Mayor assured the JAPAC that the Municipality has escalated the issue to the Premier, Minister of Safety & Security and the Minister of Human Settlement to assist and deal with this backlog.

Action Item 04 of 21 November 2018

The CFO to provide clarity on the interest on the debt that was impaired to the JAPAC.
--

RESOLVED

The JAPAC noted the Budget Statement Report: First Quarter (July 2018 – September 2018) for the financial year 2018/2019.



6.2. REPORT: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) FIRST QUARTER (JULY 2018 – SEPTEMBER 2018) FOR THE FINANCIAL YEAR 2018/2019

The Director Management Services gave an overview of the first quarter SDBIP report.

The JAPAC reviewed the contents of the report, and noted some of the KPI's and management's feedback on the report.

RESOLVED

The JAPAC noted the SDBIP Report: First Quarter (April 2018 – June 2018) for the financial year 2017/2018.

6.3. DEBT COLLECTION REPORT

The Debt Collection Report: First Quarter (July 2018 – September 2018) for the financial year 2018/2019 was presented to the JAPAC for review, a few comments/ questions were raised:

- The JAPAC raised concern about the debt over 365 days, being over R20 Million and indicated that it has been like that for the past 2-3 years.

The CFO gave an overview of the report and addressed the comments/ questions that was raised.

The CFO stated that provision for impairment is in excess of R20 Million.

RESOLVED

The JAPAC noted the Debt Collection Report: First Quarter (July 2018 – September 2018) for the financial year 2018/2019.

6.4. CREDITORS REPORT

The Creditors Report: First Quarter (July 2018 – September 2018) for the financial year 2018/2019 was presented to the JAPAC for review, a few comments/ questions were raised:

- The JAPAC enquired about Eskom Holdings Limited – Hawston bulk electricity.

The CFO explained that the account refers to bulk electricity bought from Eskom and then sold to the consumers in the related areas.

RESOLVED

The JAPAC noted the Creditors Report: First Quarter (July 2018 – September 2018) for the financial year 2018/2019.

6.5. AUDIT ACTION PLAN AS AT 23 OCTOBER 2018

The Audit Action Plan was presented to the JAPAC, since no comments. Questions were raised the JAPAC noted the Audit Action Plan.

RESOLVED

The JAPAC noted the Audit Action Plan for the financial year 2018/2019.

6.6. RISK MANAGEMENT

6.6.1. Risk Management Quarterly Report

The Director: Management Services gave an update on the status of Risk Management Service within the Overberg District and informed the JAPAC that the five (5) Overberg Municipalities are in the process to review the Memorandum of Understanding (MOU) for Risk Management Shared Services.

The Chief Risk Officer (CRO) gave an overview of the report.



The JAPAC raised, a few comments/ questions on the report:

- What risk management software is currently used by the municipality?
- Emerging risks of Overstrand Municipality.

The Chief Risk Officer (CRO) gave an overview of the report and responded the comments/ questions raised by the JAPAC members.

6.6.2. Risk Register for 2018/ 2019

The Risk Register was presented to the JAPAC, a few comments/ questions were raised:

The JAPAC raised concern on the content/ information presented; one example was when the inherent risk was medium and controls were perceived to be "moderately effective" but the residual risk rating is high regardless of the controls put in place. The Committee considered this to be incorrect/ inconsistent.

The CRO gave an explanation as to how the residual risk is calculated and the methodology used. The CRO also indicated that Risk Management Shared Services will have a look at the methodology, policy and how the residual risk is calculated.

6.6.3. Risk Action Report as at 15 November 2018

The Risk Action Report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

6.6.4. Combined Assurance Model 1st Quarter

The Combined Assurance Model 1st Quarter Report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

6.6.5. Combined Assurance Model 2nd Quarter

The Combined Assurance Model 2nd Quarter Report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

Action Item 05 of 18 September 2018
The JAPAC requested that Risk Management Shared Services should provide a summary of the Combined Assurance Model report, to be presented to the JAPAC.

RESOLVED

That cognizance is taken of the content of the Risk Management Report(s). The JAPAC noted the Report(s).

6.7. COMPLIANCE WITH GIFT POLICY – GIFT REGISTERS FROM DIRECTORATES

No gift register/ declaration was submitted to the JAPAC for consideration.

RESOLVED

That cognizance is taken that no gift register/ declaration was submitted for consideration.

6.8. INTERNAL AUDIT SERVICES (IAS) INDEPENDENCE AND OBJECTIVITY

IAS Declaration of Independence and Objectivity is based on the International Standards for the Professional Practice of Internal Auditing. The following standards are quoted:

Standard 1100 – Independence and Objectivity

The Internal Audit Activity (IAA) must be independent, and internal auditors must be objective in performing their work.



Standard 1110 – Organizational Independence

The Chief Audit Executive (CAE) must report to a level within the organization that allows the IAA to fulfill its responsibilities. The CAE must confirm to the Audit Committee, at least annually, the organizational independence of the IAA.

Standard 1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

RESOLVED

That cognizance is taken of IAS independence and objectivity declaration.

6.9. SCOPE LIMITATIONS

The CAE reported the following scope limitation to the JAPAC.

Internal Audit Report: *Illegal Structures*

Internal Audit Report: *Increase in invasion of alien vegetation*

RESOLVED

That cognizance is taken of the reporting i.r.o scope limitations experienced.

6.10. CAE STATUS REPORT

The CAE informed the Committee about the status of the internal audit activity.

Action Item 06 of 21 November 2018
The CAE to include Internal Audit Services Independence and Objectivity (Item 6.8) as well as Scope Limitations (Item 6.9) in the CAE status report.

RESOLVED

The JAPAC noted the content of the CAE status report.

7. ITEM(S) FOR DISCUSSION/ NOTING

7.1. Disaster Management Plan

The report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the plan.

RESOLVED

That cognizance is taken of the content of the Disaster Management Plan.

8. INTERNAL AUDIT REPORTS

8.1.1 Municipal conformance to basic standards of buildings used for creches

The report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

Audit Opinion/ Conclusion

Based on the preliminary audit work performed and observations made, Internal Audit Services is of the opinion that the current control environment pertaining to the municipality's conformance to basic standards relating to buildings that are used as crèches is inadequate.

Internal Audit Services is of the opinion that a follow-up audit be conducted, to ensure implementation of planned management action(s).

RESOLVED

That cognizance is taken of the content of the municipal conformance to basic standards of



buildings used for creches report.

8.1.2 Illegal structures

The JAPAC noted the update on the report. The report was still withdrawn by management due to the non-finalisation and feedback still pending from the relevant directorate.

RESOLVED

The Illegal structures report is still withdrawn as per management request. The JAPAC noted that the report is withdrawn on the behest of management.

8.1.3 Increase in invasion of alien vegetation

The JAPAC noted the update on the report. The report was still with management for comments.

RESOLVED

The increase in invasion of alien vegetation report is still with management for comments. The JAPAC noted that the report will be presented at the next ordinary meeting.

9.1 COMPLIANCE REPORTS

9.1.1 HIGH LEVEL REPORT & DETAILED REPORT

The high level and detailed report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

RESOLVED

That cognizance is taken of the report on the Predetermined Objectives (PDO): high level and detailed report, First Quarter (July 2018 – September 2018) for the financial year 2018/ 2019.

10. GENERAL

10.1 The Auditor General AG (SA) reports: feedback on the 2017/18 audit by the AG (SA).

The CFO informed the JAPAC on the current status of the 2017/18 audit and the Draft Management report issued by the AG (SA):

- Thirteen (13) COMAFS were issued by the AG (SA) during the 2017/18 Audit.
- The late submission of the Annual Financial Statements, resulting in material non-compliance.
- Management raised concerns of a possible qualified audit opinion based on late submission of the AFS could be used negatively by the public and may severely impact the Municipality.
- The Executive Mayor raised concerns about the high audit fees for Overstrand Municipality in relation to municipalities within the district and province. The Executive Mayor indicated that there is no correlation between the size of the municipality, the income of the municipality and the number of COMAF's issued by the AG(SA) to the audit fees.

The JAPAC commented/raised the following:

- The inconsistency of opinion/judgement of the AG(SA) between municipalities.
- The JAPAC indicated that they need to evaluate the information from the AG(SA) and from management, then form an opinion on the matter.

RESOLVED

The JAPAC resolved that the Final Management Report be distributed to the JAPAC and that if possible that the JAPAC engage with the AG (SA) to discuss the report.



Action Item 07 of 21 November 2018

The Final Management Report to be distributed to the JAPAC and if possible the JAPAC engage with the AG (SA) to discuss the report.

11. NEXT MEETING

The next JAPAC meeting is to be confirmed.

12. CLOSING

The meeting closed at 16:20

**B VAN STAADEN
CHAIRPERSON**

26/02/2019

DATE



Joint Audit & Performance Audit Committee Meeting
Minutes of Meeting: 21 November 2018



**ATTENDANCE REGISTER OF THE JOINT AUDIT AND PERFORMANCE AUDIT
COMMITTEE (JAPAC) MEETING**

Held in the Committee Room (Glaskas) White House, Civic Centre, HERMANUS,
on Wednesday, 21 November 2018 at 14:00.

1. Do you or your partner have any financial or other interest in the subject matter of the meeting, which may be considered as constituting a real, potential, or apparent conflict of interest? Y/N
2. Is there anything else, or the perception by others, that could affect your objectivity and independence in this meeting? Y/N

By signing this register, I hereby declare that the disclosed information is correct and no other situation of real, potential or apparent conflict of interest is known to me. I undertake to inform the meeting of any status changes that may be brought to light as a result of any issue that may arise as the meeting progresses. I also undertake to timely inform the department of any changes in these circumstances during the period when I am still serving as an Audit Committee member.

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
B Van Staaden	Chairperson JAPAC		No	No
R Kingwill	Member		No	No
M Mdludlu	Member		No	No

NAME	POSITION	SIGNATURE
Ald D Coetzee	Executive Mayor	
Cllr R de Coning	Finance Portfolio	
Cllr A Komani	Management Services Portfolio	
C Groenewald	Municipal Manager	
D Amison	Director: Management Services	
S Reyneke- Naude	Director: Finance (CFO)	
R Louw	Senior Manager: Strategic Services	
D Van Der Heever	Chief Audit Executive (CAE)	
A Riddles	Chief Risk Officer (CRO)	
W Louw	Risk Officer: Intern	
R Africa	Internal Auditor	
Z Mazuthu	Internal Auditor	
E Essop	Internal Auditor	
N Tsholoba	Intern: Finance	
S Mvaba	Intern: Internal Audit	

(Annexure F)



**MEETING OF THE JOINT AUDIT AND PERFORMANCE
AUDIT COMMITTEE**

**VERGADERING VAN DIE GESAMENTLIKE PRESTASIE
OUDIT EN OUDIT KOMITEE**

MINUTES / NOTULE

DATE / DATUM: 26 FEBRUARY 2019
(TUESDAY / DINSDAG)

VENUE / PLEK: COMMITTEE ROOM / KOMITEEKAMER
(GLASKAS) MAGNOLIA HOUSE/ HUIS,
CIVIC CENTRE / BURGERSENTRUM
HERMANUS

TIME / TYD: 14:00HRS



MINUTES OF A MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD IN THE COMMITTEE ROOM (GLASKAS), CIVIC CENTRE, HERMANUS ON TUESDAY, 26TH OF FEBRUARY 2019 AT 14:00

1. OPENING BY CHAIRPERSON

The Chairperson, B Van Staaden welcomed everyone present at the first JAPAC meeting for the year.

2. APPLICATION(S) FOR LEAVE OF ABSENCE

Apologies received from the following officials/ members:

1. Cllr A Komani (Management Services Portfolio)
2. N Tsholoba (Intern: Finance)

Persons present - see the attached attendance register.

3. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON

The Chairperson

- The Chairperson congratulated the municipality on obtaining a clean audit status from AG (SA).
- The Chairperson attended the council meeting on the 22nd of January in which the annual report was presented to council. A follow up meeting to be held on the 27th or March 2019
- Mr R Kingwill attended the formal evaluations of the MM and Directors on the 20th of February 2019 on behalf of the Chairperson and representing the JAPAC.

4. CONFIRMATION OF PREVIOUS MINUTES

4.1 21 November 2018: Ordinary JAPAC meeting

The JAPAC considered the minutes of the ordinary JAPAC meeting dated 21 November 2018.

The JAPAC made the following amendment to the minutes;

- On page 7, Item 10.1; 1st bullet: remove the "t" from the sentence.

RESOLVED

That the minutes of the JAPAC meeting dated 21 November 2018 be adopted with correction.

5. MATTERS ARISING FROM THE PREVIOUS MINUTES

- 5.1 Item 03 of 27/06/2018 will be monitored for future references.
- 5.2 Item 04 of 27/06/2018 was dealt with in this meeting (closed off).
- 5.3 Item 01 of 21/11/2018 was dealt with in this meeting (closed off).
- 5.4 Item 02 of 21/11/2018 the CAE to consolidate the evaluations and present to the JAPAC.
- 5.5 Item 03 of 21/11/2018 still in progress.
- 5.6 Item 04 of 21/11/2018 was dealt with in this meeting (closed off).
- 5.7 Item 05 of 21/11/2018 CRO and Risk management intern both resigned in the latter part of 2018.
- 5.6 Item 06 of 21/11/2018 was dealt with in this meeting (closed off).
- 5.7 Item 07 of 21/11/2018 was dealt with in this meeting (closed off).

Matter(s) to be included in the register:

Action item 01 – The CFO to provide a date when the draft annual financial statements will be submitted to the JAPAC for review.



Action item 02 – The external Quality assessment report to be submitted to the JAPAC.

Action Item 01 of 26 February 2019

The CFO to provide a date when the draft annual financial statements will be submitted to the JAPAC for review.

Action Item 02 of 26 February 2019

The external quality assessment review report to be submitted to the JAPAC.

6. STANDING ITEMS

6.1. QUARTERLY BUDGET STATEMENT REPORT

SECOND QUARTER (OCTOBER 2018 – DECEMBER 2018) FOR THE FINANCIAL YEAR 2018/2019

The Budget Statement Report was presented to the JAPAC, a few comments/ questions were raised:

- The JAPAC members noted their concern the state of the capital expenditure for the year.
- The Summary of debtors age analysis on page 19 of 37, the general decline in "older than 30 and 90 days".

The CFO gave an overview of the report and addressed the comments/questions raised by the JAPAC.

RESOLVED

The JAPAC noted the Budget Statement Report: Second Quarter (October 2018 – December 2018) for the financial year 2018/2019.

6.2. REPORT: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) SECOND QUARTER (OCTOBER 2018 – DECEMBER 2018) FOR THE FINANCIAL YEAR 2018/2019

The Director Management Services gave an overview of the second quarter SDBIP report.

The JAPAC reviewed the contents of the report, and noted some of the KPI's and management's feedback on the report, a few comments/ questions were raised:

- The JAPAC raised concerns about the number of KPI's not met.
- The JAPAC questioned how the recess of council impacts on the KPI's being met.

The Director Management Services addressed the comments/questions raised by the JAPAC.

Mr R Kingwill gave feedback on the performance evaluations he attended of the MM and the Directors. He raised the following points:

- The need to align the KPI's with the target, the portfolio of evidence , the definitions and the measurement criterias.
- Measuring mangarial competencies.
- Explanations of the deviations did not include corrective steps.
- Defining definitions of service delivery, diffirentiate between the baseline, target and the actual. They need to be consistent as there seem to be some inconsistencies.
- General trend of backlog of CAPEX.
- There needs to be consistency of measuring of the national indicators accross all the directorates.

RESOLVED

The JAPAC noted the SDBIP Report: Second Quarter (October 2018 – December 2018) for the financial year 2018/2019.



6.3. DEBT COLLECTION REPORT

The Debt Collection Report: Second Quarter (October 2018 – December 2018) for the financial year 2018/2019 was presented to the JAPAC for review, a few comments/ questions were raised:

- The JAPAC raised concern about the increase of debt from previous years to prior year.
- The JAPAC asked if the increase is linked to economic reasons.

The CFO gave an overview of the report and addressed the comments/ questions that was raised.

RESOLVED

The JAPAC noted the Debt Collection Report: Second Quarter (October 2018 – December 2018) for the financial year 2018/2019.

6.4. CREDITORS REPORT

The Creditors Report: Second Quarter (October 2018 – December 2018) for the financial year 2018/2019 was presented to the JAPAC for review, since no comments/ questions were raised the JAPAC noted the content of the report.

The CFO gave an overview of the report.

RESOLVED

The JAPAC noted the Creditors Report: Second Quarter (October 2018 – December 2018) for the financial year 2018/2019.

6.5. AUDIT ACTION PLAN AS AT 21 JANUARY 2019

The JAPAC reviewed the content of the report, a few comments/ questions were raised on the following:

- Operational leases not disclosed – Page 2 of 6 . (Ref Nr 39 – page 3)

The CFO addressed the comment/ question that was raised.

RESOLVED

The JAPAC noted the Audit Action Plan as at 21 January 2019 for the financial year 2018/2019.

6.6. RISK MANAGEMENT

The Municipal Manager explained the current situation of risk management within the municipality. He explained that the function was a shared service within the Overberg District. He indicated that the Chief Risk Officer and the Risk Management Intern resigned in the latter half of 2018. Currently both positions are vacant. There is thus no personnel to attend to the risk management function.

Action Item 03 of 26 February 2019
The Risk Management Report to be presented at the next ordinary JAPAC meeting.

RESOLVED

That cognizance is taken of the feedback given on the current status and the way forward with regards to the Risk Management function within the municipality.

6.7. COMPLIANCE WITH GIFT POLICY – GIFT REGISTERS FROM DIRECTORATES

No gift register/ declaration was submitted to the JAPAC for consideration.



RESOLVED

That cognizance is taken that no gift register/ declaration was submitted for consideration.

6.8. INTERNAL AUDIT SERVICES (IAS) INDEPENDENCE AND OBJECTIVITY

IAS Declaration of Independence and Objectivity is based on the International Standards for the Professional Practice of Internal Auditing. The following standards are quoted:

Standard 1100 – Independence and Objectivity

The Internal Audit Activity (IAA) must be independent, and internal auditors must be objective in performing their work.

Standard 1110 – Organizational Independence

The Chief Audit Executive (CAE) must report to a level within the organization that allows the IAA to fulfill its responsibilities. The CAE must confirm to the Audit Committee, at least annually, the organizational independence of the IAA.

Standard 1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

RESOLVED

That cognizance is taken of IAS independence and objectivity declaration.

6.9. SCOPE LIMITATIONS

The CAE reported the following scope limitation to the JAPAC.

Internal Audit Report: Housing Administration/ management re allocation of low cost housing – Special Request from MM & EM.

RESOLVED

That cognizance is taken of the reporting i.r.o scope limitations experienced.

6.10. CAE STATUS REPORT

The CAE informed the Committee about the status of the internal audit activity and content of the report.

RESOLVED

The JAPAC noted the content of the CAE status report.

7. INTERNAL AUDIT REPORTS

7.1.1 Illegal structures

The report was presented to the JAPAC, a few comments/ questions were raised.

- The conclusion was not clear in the report; management's response was not clear on what action(s) will be taken, whether management agrees with audit finding(s) and/ recommendation(s). The JAPAC suggested that there should be a clear distinction of findings, recommendations, management actions that will be taken, where there is disagreement between management and internal audit findings/ recommendations, it should be reported and/ communicated as a finding. The JAPAC also recommended the Municipal Manager concludes on matters where there is disagreement between Internal Audit and management on the report.
- The JAPAC also queried whether there are any educational drive conducted by the municipality to educate the community on what the right process is?

The Municipal Manager concluded that the matter will be dealt with as per the audit committee's recommendation(s).



RESOLVED

The JAPAC referred the Illegal structures report back.

7.1.2 Increase in invasion of alien vegetation

The report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

RESOLVED

That cognizance is taken of the report on the Increase in invasion of alien vegetation report, for the financial year 2018/ 2019.

7.1.3 Division of Revenue Act No 3 of 2017

The report was presented to the JAPAC, a few comments/ questions were raised:

- Audit finding 7.1 (Page 9 of 18) – No compliance with section 12(2)(c) of DORA (timely submission of quarterly report(s)).

RESOLVED

That cognizance is taken of the report on the Division of Revenue Act No 3 of 2017 report, for the financial year 2018/ 2019.

7.1.4 Division of Revenue Act No 1 of 2018

The report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

RESOLVED

That cognizance is taken of the report on Division of Revenue Act No 1 of 2018 report, for the financial year 2018/ 2019.

8. COMPLIANCE REPORTS

8.1.1 HIGH LEVEL REPORT & DETAILED REPORT

The high level and detailed report was presented to the JAPAC, since no comments/ questions were raised the JAPAC noted the content of the report.

RESOLVED

That cognizance is taken of the report on the Predetermined Objectives (PDO): high level and detailed report, Second Quarter (October 2018 – December 2018) for the financial year 2018/ 2019.

9. GENERAL

9.1 No items were submitted or added under general.

RESOLVED

That cognizance is taken that no items were submitted or added under general.

10. NEXT MEETING

The next JAPAC meeting is to on the 30th of May 2019.



11. CLOSING

The meeting closed at 15:21


B. VAN STAADEN
CHAIRPERSON

25/06/2017
DATE



Joint Audit & Performance Audit Committee Meeting
Minutes of Meeting: 26 February 2019



**ATTENDANCE REGISTER OF THE JOINT AUDIT AND PERFORMANCE AUDIT
COMMITTEE (JAPAC) MEETING**

Held in the Committee Room (Glaskas) White House, Civic Centre, HERMANUS
on Tuesday, 26 February 2019 at 14:00.

1. Do you or your partner have any financial or other interest in the subject matter of the meeting, which may be considered as constituting a real, potential, or apparent conflict of interest? Y/N
2. Is there anything else, or the perception by others, that could affect your objectivity and independence in this meeting? Y/N

By signing this register, I hereby declare that the disclosed information is correct and no other situation of real, potential or apparent conflict of interest is known to me. I undertake to inform the meeting of any status changes that may be brought to light as a result of any issue that may arise as the meeting progresses. I also undertake to timely inform the department of any changes in these circumstances during the period when I am still serving as an Audit Committee member.

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
B Van Staaden	Chairperson JAPAC		N	No
R Kingwill	Member		N	N
M Mdludlu	Member		Y	Y

NAME	POSITION	SIGNATURE
Ald D Coetzee	Executive Mayor	
Cllr R de Coning	Finance Portfolio	
Cllr A Komani	Management Services Portfolio	
C Groenewald	Municipal Manager	
D Arnson	Director: Management Services	
S Reyneke- Naude	Director: Finance (CFO)	
R Louw	Senior Manager Strategic Services	
D Van Der Heever	Chief Audit Executive (CAE)	
R Africa	Internal Auditor	
Z Mazuthu	Internal Auditor	
E Essop	Internal Auditor	
N Tsholoba	Intern: Finance	APOLOGY
S Mvaba	Intern: Internal Audit	