



**ORDINARY MEETING OF THE MAYORAL  
COMMITTEE**

**GEWONE VERGADERING VAN DIE  
BURGEMEESTERSKOMITEE**

**INTLANGANISO YESIQHELO YEKOMITI  
KASODOLOPHU**

**A G E N D A**

**I-AJENDA**

**DATE / DATUM / UMHLA : 28 MARCH / MAART / MATSHI  
2022  
AUDITORIUM, CIVIC CENTRE  
HERMANUS**

**TIME / TYD / IXESHA : 10:00**

**MUNICIPALITY / MUNISIPALITEIT / UMASIPALA WE-OVERSTRAND**

Office of the Municipal  
Manager  
Municipal Offices  
HERMANUS

**23 March 2022**

**NOTICE TO ALL ALDERMEN AND COUNCILLORS**

**NOTICE IS HEREBY GIVEN** that an **ORDINARY MEETING** of the **MAYORAL COMMITTEE** will be held in the **AUDITORIUM, CIVIC CENTRE, HERMANUS** on **MONDAY, 28 MARCH 2022** at **10:00** to consider the items set out in the attached agenda.

**D O'NEILL**  
**MUNICIPAL MANAGER**

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**23 Maart 2022**

**KENNISGEWING AAN ALLE RAADSHERE EN RAADSLEDE**

**KENNIS WORD HIERMEE GEGEE** dat 'n **GEWONE VERGADERING** van die **BURGEMEESTERSKOMITEE** gehou sal word in die **ODITORIUM, BURGERSENTRUM, HERMANUS** op **MAANDAG, 28 MAART 2022** om **10:00** vir oorweging van die items op die meegaande agenda.

**D O'NEILL**  
**MUNISIPALE BESTUURDER**

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**23 Matshi 2022**

**ISAZISO ESIYA KUBO BONKE OOCEBAKHULU NOOCEBA**

**INTLANGANISO YESIQHELO YEKOMITI KASODOLOPHU WE-OVERSTRAND**

**OKU KUKWAZISA** ukuba intlanganiso **YESIQHELO yeKOMITI KASODOLOPHU**, iza kuba se **I-ODITHORIYAM, kwiZiko, eHERMANUS** Umvulo **UMHLA, 28 MATSHI 2022** ngeye-**10:00** ukuqwalasela imicimbi ekule ajenda iqhotyoshelwe apha.

**D O'NEILL**  
**UMPHATHI KAMASIPALA**

**AGENDA/...**

# OVERSTRAND MUNICIPALITY

## MAYORAL COMMITTEE MEETING

28 March 2022

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No reports were received for this Portfolio

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No reports were received for this Portfolio

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- 1. OPENING**
  
- 2. APPLICATIONS FOR LEAVE OF ABSENCE**
  
- 3. CONFIRMATION OF MINUTES**
  - 3.1 Minutes of an **Ordinary Meeting** of the **Mayoral Committee** held on **Monday, 21 February 2022 at 10:00**
  
- 4. STATEMENTS AND COMMUNICATIONS BROUGHT FORWARD BY THE EXECUTIVE MAYOR / DEPUTY EXECUTIVE MAYOR**

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

**3/2/3/12**

**DC Van Der Heever**

**(028) 313 5035**

**Internal Audit Services**

**11 March 2022**

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**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. Annexure**

Annexure A: Report 1 of the Joint Audit and Performance Audit Committee for the 2021/22 Financial Year

**RECOMMENDATION TO THE COUNCIL:**

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

**RESPONSIBLE OFFICIAL :****DC VAN DER HEEVER****TARGET DATE FOR IMPLEMENTATION :****30 MARCH 2022**

Date: 09 March 2022

To: The Overstrand Municipal Council  
c/o The Speaker – Cllr Grant Cohen

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  
REPORT 1 OF 2021/22 FINANCIAL YEAR**

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**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 report 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 2021 to 28 February 2022.

Yours truly



**BURTON VAN STAADEN**

*Chairman of Joint Audit and Performance Audit Committee  
Overstrand Municipality*

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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  
REPORT 1 OF 2021/22 FINANCIAL YEAR**

**1. REPORT ON ACTIVITIES OF THE JAPAC**

During the period 01 July 2021 to 28 February 2022, the JAPAC convened five (5) meetings, namely:

- JAPAC Meeting held on 24 August 2021 (Virtual)
- JAPAC Meeting held on 28 September 2021 (Virtual)
- Special JAPAC Meeting held on 18 October 2021 (Virtual)
- JAPAC Meeting held on 04 November 2021 (Virtual)
- JAPAC Meeting held on 24 February 2022 (Virtual)

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

<b>Member</b>	<b>JAPAC Meeting held on 24 August 2021</b>	<b>JAPAC Meeting held on 28 September 2021</b>	<b>JAPAC Special Meeting held on 18 October 2021</b>	<b>JAPAC Meeting held on 04 November 2021</b>	<b>JAPAC Meeting held on 24 February 2022</b>
Mr B van Staaden <i>(Chairperson)</i>	Attended	Attended	Attended	Attended	Attended
Mr R Kingwill	Attended	Attended	Attended	Attended	Absent (Apology received)
Mr. G Serfontein	Attended	Attended	Attended	Attended	Attended
Ms. M Koekemoer	Attended	Attended	Attended	Attended	Attended

**2. REPORT ON INTERNAL AUDIT**

During the period 01 July 2021 to 28 February 2022, the following internal audit reports/ documents were presented by the Chief Audit Executive and considered by the committee:

<b>Meeting date</b>	<b>Internal Audit Reports</b>
28/09/2021	1. Consulting Engagement re Increase in Invasion of Alien Vegetation
	2. Follow-up re Matters struck from the court roll 2020/21
	3. Governance Review June 2021
	4. Complaints received re Indigent Subsidy
04/11/2021	1. Key Control Assessment Bi-annual review 1 (January 2021 – June 2021)
	2. Special Request re Theft of registration fees for 13 December 2019 and Incorrect receipting of fees
	3. Consulting engagement re Curbing the transmission and spread of Infectious Diseases in the workplace
24/02/2022	1. Follow-up re Matters struck from the court roll 2021/22

**ANNEXURE A**

**OVERSTRAND MUNICIPALITY  
REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL  
REPORT 1 OF 2021/22 FINANCIAL YEAR**

	2. Follow-up re mSCOA Implementation Project 2021/22
	3. Curbing the transmission and spread of COVID-19

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 with concern that the Internal Audit Services is operating at 50% of its approved staffing capacity and the JAPAC recommend that these vacancies be filled as a matter of urgency to ensure that the Internal Audit Services is adequately capacitated to effectively deliver on its mandate.

**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) have been approved during this reporting period and are hereby attached:

1. JAPAC Meeting held on 24 August 2021 (Virtual) – **Annexure B**
2. JAPAC Meeting held on 28 September 2021 (Virtual) – **Annexure C**
3. JAPAC Meeting held on 04 November 2021 (Virtual) – **Annexure D**

**5. REPORT ON PERFORMANCE MANAGEMENT**

At the JAPAC meetings held during the period 01 July 2021 to 28 February 2022, the following quarterly report(s) in respect of performance management were presented and considered by the JAPAC:

4 <sup>th</sup> Quarter Reports (01 April 2021 to 30 June 2021)	1. Internal Audit Report: Predetermined Objectives (Q4)
	2. Service Delivery and Budget Implementation Plan (Q4)
1 <sup>st</sup> Quarter Reports (01 July 2021 to 30 September 2021)	1. Internal Audit Report: Predetermined Objectives (Q1)
	2. Quarterly Budget Report and SDBIP Report (Q1)
2 <sup>nd</sup> Quarter Reports (01 October 2021 to 31 December 2021)	1. Internal Audit Report: Predetermined Objectives (Q2)
	2. Quarterly Budget Report and SDBIP Report (Q2)

In reviewing the quarterly report(s) 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  
REPORT 1 OF 2021/22 FINANCIAL YEAR**

**6. REPORT ON RISK MANAGEMENT**

At the JAPAC meetings held during the period 01 July 2021 to 28 February 2022, the following quarterly reports in respect of risk management were presented and considered by the JAPAC:

<b>Meeting dates</b>	<b>Risk Management Reports</b>
28/09/2021	1. High Risk Register as at 05 July 2021
	2. Report on Risk Management Activities and Implementation Plan 2020/21
	3. Combined Assurance Status Report – Q4 2020/21
	4. Combined Assurance Model – Annexure to Combined Assurance Status Report – Q4 2020/21
	5. FARMCO Minutes – 23 April 2021
04/11/2021	1. High Risk Register as at 22 October 2021
	2. Strategic Risk Register as at 22 October 2021
	3. Combined Assurance Status Report – Quarter 1 2021/22
	4. Combined Assurance Model – Annexure to Combined Assurance Status Report – Quarter 1 2021/22
	5. FARMCO Minutes - 28 June 2021
24/02/2022	1. High Risk Register as at 05 January 2022
	2. Strategic Risk Register as at 05 January 2022
	3. Combined Assurance Status Report Quarter 2 (October 2021 – December 2021)
	4. FARMCO Minutes – 15 October 2021

The JAPAC expresses its concern regarding the effectiveness of the risk management process within the municipality in light of the fact that several suspected irregularities have emerged in areas which were not identified as high-risk areas.

**7. OTHER MATTERS**

None.

**8. NEXT MEETING**

The next meeting date of the JAPAC is 28 April 2022.

**END**



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

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

**MINUTES / NOTULE**

<b>DATE / DATUM:</b>	<b>24 AUGUST 2021 (TUESDAY/ DINSDAG)</b>
<b>VENUE / PLEK</b>	<b>VIRTUAL (VIA MICROSOFT TEAMS)</b>
<b>TIME / TYD</b>	<b><u>14:00HRS</u></b>



**MINUTES OF THE MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD VIRTUALLY (VIA MICROSOFT TEAMS) TUESDAY, 24<sup>TH</sup> OF AUGUST 2021 AT 14:00**

**1. OPENING BY CHAIRPERSON**

The Chairperson, Mr B Van Staaden, welcomed everyone present to the video conference of the Special JAPAC meeting in which the draft Annual Financial Statements (AFS) for the year ended 30 June 2021 were discussed in respect of 2020/21 financial year.

**2. APPLICATION(S) FOR LEAVE OF ABSENCE**

No apologies received.

**Persons present** - as per attached attendance register.

**3. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON**

- No statements and communications expressed by the Chairperson.
- The Chairperson granted the Municipal Manager (MM) an opportunity to share a statement and/or a message before the meeting commenced.
- The MM responded that he does not have anything to communicate to the meeting.
- The Chairperson indicated that there were no minutes for the previous meeting as this was a special meeting for the purpose of discussing draft Annual Financial Statements (AFS) in respect of 2020/21 financial year.

**4. PRESENTATION: DRAFT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

The Chairperson afforded the CFO an opportunity to make general statements and comments on the AFS and to respond to further questions raised by the JAPAC members.

The CFO gave feedback to all questions and comments on the draft AFS that were received from the JAPAC prior to the meeting. See **Annexure A**.

**5. FOLLOW-UP QUESTIONS/ COMMENTS I.R.O. THE DRAFT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

1. The JAPAC sought an indication from management of whether there were any possible challenges during the first two months of the new financial year (2021/22) that management foresee in relation to the revenue budget specifically.

The MM responded that management do not foresee any possible challenges relating to revenue budget in the first two months, and that they will get a clear indication probably at the end of the first or second quarter after the adjustment budget has been made.

The CFO added that in a case of unforeseen factors that may impact on the outstanding debtors, management is monitoring the situation and is currently planning to strategize accordingly.

The JAPAC enquired if the municipality has its own targets set up or national standards that are used as a guideline to compare or measure their performance in respect of financial viability measured in terms debt coverage and cost coverage, as the indicated performance

**Internal Audit Services**



in the draft Annual Financial Statement (AFS) gives a very good picture overview of how well things are going in the municipality.

The CFO responded that the municipality measures its own performance as opposed to the National Treasury guidelines. She further highlighted that the municipality's intent is to be in a position where it can provide for any unforeseen situations and simultaneously continue to render services to its customers and take care of the organization's day-to-day business operations. The CFO confirmed that the organization is comfortable with current debt ratio of 23.55.

The CFO shared with the JAPAC that the municipality has increased its annual borrowing to R50 million per annum as from the 01 July 2021 and it was a conservative approach as it was an opportunity to consider the dedicated water infrastructure project in vast areas to prevent leaks, by refurbishing and upgrading the infrastructure.

2. *Re – Note 5 - Non-living resource*

The JAPAC requested a clarity on *note 5 - Non-living resources* as it was not disclosed on the financials (statement of financial position). In addition, there were no monetary values disclosed.

The Manager: Financial Accounting clarified that GRAP 110 states that the municipality must disclose the nature and reasons regarding non-living resources, but the municipality does not have to recognize any amount in the AFS, hence there was a note but no monetary value.

The JAPAC suggested that management should state at the end of note 5 that '*in view of the requirements of GRAP 110, no disclosure is made*' or something to that effect and that will close the open loop.

The CFO noted JAPAC comment.

3. *Re – Cash flow statements*

The JAPAC commented that the cash flow statement indicated the movement in financial assets, though the movement in financial assets is net of the fair value adjustment and contribution to the long-term investment. Therefore, describing it as the movement in financial assets does not accurately indicate the cash flow.

The CFO accepted the JAPAC comment(s) and stated that she and her team will consider them.

4. *Note 18 – Provisions*

The JAPAC enquired whether the CFO interrogates the technical explanations/ reports provided by the engineers before they accept it.

The CFO responded that the municipality has its own colleagues who are certified engineering experts, whom they would request their viewpoint on those technical explanations/ reports provided. If the experts agreed with the technical reports and the finance team also cannot find anything wrong from their financial perspective, the CFO would accept their viewpoint as it would be difficult for the finance team to argue the technical explanation/ reports conducted by the independent consultancy.

5. *Re Note 19 - Payables from exchange transactions*

The JAPAC commented that they understand that the construction contracts must be disclosed, however the way it has been disclosed does not indicate a link to the *Payables from exchange transactions*.



The CFO replied that the Housing construction contracts relates to ongoing construction and if there is an amount in the control account, this therefore needs to be disclosed. Thus, in this particular instance it relates to payables from exchange transactions. In addition, in terms of GRAP 11, this particular item must be disclosed. At year end the net construction contracts can be debited or credited, or receivable or payable. In this instance, it has ended up with a credit balance, i.e., contractor still owes the municipality monies or the municipality has not yet provided the contractor with a payment voucher for reimbursement, hence it remains under payable account, and it should be disclosed under payables as it is a payable at year end.

The JAPAC requested an indication about the construction and disclosure of the Local content, whether it is an issue within the municipal and reporting standards as it seems that there is some technical interpretation around it.

The Deputy Director and Senior manager SCM confirmed that this has not been raised as an issue on the AFS point of view, but in the supply chain point of view, the local content would be an issue.

The JAPAC noted management comments.

6. *Re Note 30 – Employee related costs*

The JAPAC commented that the defined contribution plans normally would not have actuarial gains and losses passed on to the employer, but the employee benefits funds would have those actuarial gains and losses passed on to the employer.

The Manager: Financial Accounting commented that it is not a normal pension obligation, rather it is a post-employment healthcare benefit, and, in that regard, there was actuarial losses that need to go to the line-item employee related costs as far as they understand it, it is part of the adjustment to the employee related costs. The CFO added that, after retirement if an employee was employed for more than 10 years of service in the municipality, there's a continued benefit in terms of a percentage of medical aid benefit as the responsibility of the employer, so it's not related to a pension but to medical aid benefits.

The JAPAC noted management comments.

7. *Re Note 37 – Contracted services*

The JAPAC enquired from management that, since *Contracted services* only referred to sewerage services, which line item has the expenditure relating to the water services provider.

The CFO responded that Note 37 will be revised in accordance with the disclosure requirements thereof.

8. The JAPAC concluded and confirmed that the way in which management responded to the questions raised by the JAPAC provided a reassurance to the JAPAC and the municipality can be proud of their financial support team in putting the AFS together. Moreover, the JAPAC stated that the finance team certainly responded very constructively to all the suggestions and the efforts that were made to respond to the questions raised by the JAPAC was certainly well appreciated.

The MM appreciated the kind words from the JAPAC and acknowledged management effort in compiling the AFS. In addition, the MM indicated that the Auditor General South Africa (AGSA) will be starting with the audit on 01 September 2021 and promised that management will keep the JAPAC informed.



Special Joint Audit & Performance Audit Committee meeting  
Minutes of meeting: 24 August 2021

The outgoing Executive Mayor, Ald Dudley Coetzee, announced that it was probably his last JAPAC meeting as the Executive Mayor of the Overstrand municipality, as he did not make himself available for another term of elections during October 2021 and he expressed his final gratitude to the JAPAC members for their guidance and support.

The JAPAC members also shared their farewell regards with the Executive Mayor, Ald Dudley Coetzee, stating that working with him and his Council was a pleasure and wished him well.

The CFO acknowledged the dedication and hard work of the finance team, and that she is very proud of them.

The JAPAC enquired when is the AGSA presenting their audit strategy.

The CFO replied that the municipality received first Request for Information (RFI) from AGSA and has been informed that there was a new Audit manager and Senior manager in this financial year's audit, and that the management requested to have an introductory meeting with AGSA and still awaiting feedback, and that the AGSA is in the process of issuing second Request for Information (RFI). The CFO further alluded that she will communicate with the AGSA in respect of submission date of the Annual Financial Statements (AFS).

The JAPAC requested that management communicate to them the date of submission.

**RESOLVED**

That cognizance be taken of the content of the draft Annual Financial Statements for the year ended 30 June 2021 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 15:03

  
**B VAN STAADEN**  
**CHAIRPERSON**

28 September 2021  
**DATE:**

Internal Audit Services



Special Joint Audit & Performance Audit Committee meeting  
Minutes of meeting: 24 August 2021

Annexure A  
Page 1 of 4

OVERSTRAND MUNICIPALITY

Special JAPAC Meeting: 24 August 2021

Review of Draft AFS for 2020/21 financial year

**Mr G Serfontein**

**1.5.3 National Key Performance Indicators- Municipal Financial Viability and Management (Ratios)**

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

Description	Basis of calculation	2018/19	2019/20	2020/21
		Audit outcome	Audit outcome	Pre-audit outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	6.67	7.62	6.32
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	10.07%	12.33%	12.91%
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	23.38	23.00	23.55

TABLE 13: NATIONAL KPI'S FOR FINANCIAL VIABILITY AND MANAGEMENT

**1.5.5 Total Capital Expenditure**

Detail	2018/19	2019/20	2020/21
	R'000	R'000	R'000
Original Budget	194,237	261,677	303,738
Adjustment Budget	174,748	275,900	290,086
Actual	172,777	211,057	254,808

TABLE 15: TOTAL CAPITAL EXPENDITURE

The entire budget amount per annum is based on the income that the Municipality expects to derive from rates, service charges, and grants and subsidies. During the 2020/2021 financial year, the Municipality managed to spend 90.97% of its capital budget (pre-audit outcome), 96.32% of its operating budget (pre-audit outcome) and raised 100.33% of the total revenue budget.

**Mr R Kingwill**

Living resources  
Other financial assets

details (6)  
R

where do Living Resources reflect as per note 5

Internal Audit Services



Special Joint Audit & Performance Audit Committee meeting  
Minutes of meeting: 24 August 2021

Annexure A  
Page 2 of 4

- References as indicated: For updating
- Note 5 & 6 - Please refer AFS, page 40:

5. Non-living resources

Nature and types of non-living resources for which the entity is responsible

The municipality has raw water in dams and bore holes that are used in the treatment and distribution of clean water to the community.

Liabilities and/or contingent liabilities that arise from the non-living resources

There were no liabilities or contingent liabilities regarding the non-living resources.

Compensation from third parties included in surplus or deficit

There were no amounts of compensation from third parties for non-living resources that were given up.

6. Living resources

	2021		2020	
	Cost / Valuation	Accumulated depreciation and accumulated impairment Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment Carrying value
Dogs	241,926	241,926	-	-

Reconciliation of living resources - 2021

	Opening balance	Transfers	Total
Dogs	-	241,926	241,926

Pledged as security

No living resources are held as security for liabilities of the municipality.

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**Ms M Koekemoer**

- Comprehensive notes related to cosmetic changes and spelling corrections  
All comments considered and corrections in process of updating, thank you.
- Page 3 – I understand that changing the number sequence now will change the entire structure of the financials, but maybe in future prepare the notes in the same order as the face of the balance sheet? It makes referencing much easier. The 'Sort → Notes to the financial statements' function in Caseware Working Papers can be used to achieve this.  
The recommendation with regard to the number sequence will be part of the 2021/22 AFS considerations, as suggested.

**Mr B van Staaden**

- Page one: Reference to "Other 2" to be corrected.  
The correction attended to.
- Statement of Changes in net assets: What is policy relating to transfers to/from housing fund (R211 – insignificant amount).

Internal Audit Services



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	In terms of the Housing Act, all proceeds from Housing Development must be paid into the Housing Development Fund.
3.	<b>Cashflow statement:</b> What does movement in financial assets (R4,980,000) relates to as this is not clear when one looks at current and prior year balance sheet balances.
	This relates to contribution to the long term investment. It is the movement, excluding Fair Value adjustment. (Other Financial Assets as a line item in the Balance Sheet.)
4.	<b>Note 3: Property Plant &amp; Equipment.</b>
	<ul style="list-style-type: none"> <li>The depreciation on motor vehicles is not in accordance with the stated accounting policy (page 12: useful life of 4 – 10 years).</li> </ul>
	The Asset Register was reviewed w.r.t. vehicles and Accounting Policy for Useful Life will now be adjusted accordingly to 10-50 years, based on the following: It is general practice for the municipality to keep vehicles in services for as long as possible, especially Yellow vehicles and specialised vehicles, e.g. Fire Trucks. Even sedans are utilised in some instances in excess of 10-15 years. Vehicles thus written off only when it cannot be repaired economically any longer.
	(Please indicate assumptions to reach conclusion?)
	<ul style="list-style-type: none"> <li>There is no useful life indicated in the accounting policies for Plant and Machinery and Community</li> </ul>
	Accounting Policy adjusted accordingly
	<ul style="list-style-type: none"> <li>What is "Community"? (Is there not a better description for this item?)</li> </ul>
	Acknowledged terminology as per SCOA Chart / Asset Classification
	<ul style="list-style-type: none"> <li>Recon of PPE – 2021 (page 35). The R121,884,529 disclosed as "Under Construction" appears to be Additions/Capital Expenditure relating to Work in Progress (Per WIP Recon page 36). It may be more understandable if this amount is described as Additions to WIP on the Recon of PPE – 2021 (page 35).</li> </ul>
	Updated to Work in Progress
5.	<b>Note 8: Other financial assets.</b> Remove "Additional text" (2 <sup>nd</sup> paragraph)
	Updated
6.	<b>Note 15: Cash and cash equivalents.</b> Should we be concerned by the overall decrease in cash balances of approximately R41m during the financial year?
	Due to previous period (30/6/2020) unspent grants and CAPEX (Roll overs on CAPEX R69.5m)
7.	<b>Note 18: Provisions.</b> What factors lead to the significant increase in the provision for the Rehabilitation of tip sites (R28m in current year vs R4m in prior year)?
	The main reason for the increase in the provisions costing was the increase in the provisions for the importation of sand and topsoil from commercial sources followed by the increase in engineering fees based on the new higher closure costs.
8.	<b>Note 19: Payables from exchange transactions.</b> How does the disclosure of "Construction contracts in progress at reporting date" relate to Payables from exchange transactions?
	Included in control account, thus reportable in terms of GRAP 11 (Construction Contracts)
9.	<b>Note 24: Other income.</b> What is Construction contracts revenue (R70m)
	This is the revenue (recongised) recieved from the Human Settlements Department for the construction of low cost housing
10.	<b>Note 27: Grants and subsidies paid.</b> What does "Special ratings areas" (R8.3m) relate to?
	<ul style="list-style-type: none"> <li>Heading updated to: Transfers and Grants Paid.</li> <li>The establishment of special rating areas are approved by the council, after a receipt of an application by ratepayers within a specific special rating area, to establish and participate in an appropriate structure to carry out planning, contracting, financial control and administrative functions within the special rating area, in order to manage and implement the supplementary municipal services.</li> </ul>

Internal Audit Services



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	<ul style="list-style-type: none"> <li>• The Additional Rate are determined on an annual basis by the Municipality and is a debt due to the Municipality by the registered owner of a property within the SRA, and collected in the same manner as other property rates imposed by the Municipality,             <ul style="list-style-type: none"> <li>▪ to be paid as a transfer of funds (R8.3m in this instance), in facilitating self-funded community initiatives that aim to improve and/or upgrade neighborhoods</li> <li>▪ by making use of a non-profit company ("NPC") structure as contemplated in the Companies Act, which is referred to in the By-law as "the management body",</li> <li>▪ by implementing a transparent process when appointing service providers to improve and/or upgrade the special rating area in the public areas and ensuring that these improved and/or upgraded services are not provided for private properties.</li> </ul> </li> </ul>
11.	<p><b>Note 30: Employee related costs. What is the reason for significant increase in Defined contribution plans (R26m in prior year to R52m in current year)?</b></p> <p>The previous financial year had a R26m actuarial loss, as opposed to the actuarial gain in the current year.</p>
12.	<p><b>Note 37. Contracted Services. Under which line item has the expenditure relating to the Water Services Provider (Veolia Water Solutions) been accounted.</b></p> <p>In Note 37 under the line item: Outsourced Services: Sewerage Services (for Water and Sewerage Services)</p>
13.	<p><b>Note 38. General expenses. What is "Construction contracts expenses" (R24m) and why is it classified as general expenses (not capitalised)?</b></p> <p>It is the operating expenditure (recongised) incurred from the Human Settlements Department, for the construction of low cost housing. This is the Top Structures expensed (the Infrastructure - Assets, already capitalised in the Asset Register).</p>
14.	<p><b>Have all matters raised by the AGSA in the prior year management report been addressed?</b></p> <p>All matters were addressed.</p>
15.	<p><b>Has the review of the financial statements been concluded and who performed the review (other than internal reviews within the finance department)?</b></p> <p>Received review from WC Provincial Treasury, still awaiting feedback from Drakenstein Mun (Peer review). Internal review still continuing.</p>
16.	<p><b>Are there any other matters of concern relating to the financial statements that the JAPAC should take note of?</b></p> <p>With regard to the presentation and disclosure of segment information, the municipality will finalise the implementation of Segment Reporting (GRAP 18) after the scheduled workshop with Provincial Treasury on Wednesday (25 Aug), since an industry norm for Local Government is not officially established yet, neither audited.</p>

Internal Audit Services



Special Joint Audit & Performance Audit Committee meeting  
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Attendance register

Full Name	User Action	Timestamp
E Essop	Joined	8/24/2021, 1:54:29 PM
Riana de Coning	Joined before	8/24/2021, 1:54:29 PM
N Tsholoba	Joined before	8/24/2021, 1:54:29 PM
Mariska (Guest)	Joined	8/24/2021, 1:55:38 PM
Dean O'Neill	Joined	8/24/2021, 1:56:18 PM
S Makwetu	Joined	8/24/2021, 1:56:47 PM
CFO	Joined	8/24/2021, 1:58:15 PM
Z Mazuthu	Joined	8/24/2021, 1:58:24 PM
Z Mazuthu	Left	8/24/2021, 2:31:01 PM
Z Mazuthu	Joined	8/24/2021, 2:32:32 PM
Desiree Arrison	Joined	8/24/2021, 1:58:28 PM
V Silolo	Joined	8/24/2021, 1:58:33 PM
Burton van Staaden	Joined	8/24/2021, 1:58:52 PM
Veronica Allen	Joined	8/24/2021, 1:59:05 PM
D Van Der Heever	Joined	8/24/2021, 1:59:26 PM
D Van Der Heever	Left	8/24/2021, 1:59:28 PM
B King	Joined	8/24/2021, 1:59:31 PM
Gideon Serfontein (Guest)	Joined	8/24/2021, 1:59:47 PM
Gideon Serfontein (Guest)	Left	8/24/2021, 2:28:35 PM
R Louw	Joined	8/24/2021, 1:59:47 PM
c leroux	Joined	8/24/2021, 2:00:07 PM
c leroux	Left	8/24/2021, 2:29:04 PM
Ronnie Kingwill (Guest)	Joined	8/24/2021, 2:00:16 PM
Dudley Coetzee (Guest)	Joined	8/24/2021, 2:02:27 PM
Dudley Coetzee (Guest)	Left	8/24/2021, 2:29:10 PM
Dudley Coetzee (Guest)	Joined	8/24/2021, 2:31:52 PM
Dominic Van Der Heever (Guest)	Joined	8/24/2021, 2:04:36 PM
Andrew Komani	Joined	8/24/2021, 2:11:14 PM
Gideon Serfontein (Guest)	Joined	8/24/2021, 2:38:21 PM
c leroux	Joined	8/24/2021, 2:38:41 PM

Internal Audit Services



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

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

**MINUTES / NOTULE**

**DATE / DATUM:** 28 SEPTEMBER 2021  
(TUESDAY/ DINSDAG)

**VENUE / PLEK:** VIRTUAL (*via MICROSOFT TEAMS*)

**TIME / TYD:** 14:00 HRS/UUR



**MINUTES OF THE MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD VIRTUALLY (via MICROSOFT TEAMS) WEDNESDAY, 28<sup>TH</sup> OF SEPTEMBER 2021 AT 14:00**

**1. OPENING BY CHAIRPERSON**

The Chairperson, Mr B Van Staaden, welcomed everyone present to the video conference of the second JAPAC meeting in respect of the 2021/22 financial year.

**2. APPLICATION(S) FOR LEAVE OF ABSENCE**

Apologies received from the following official(s)/ member(s):

1. Dominic Van Der Heever (Chief Audit Executive)

**Persons present** - see the attached Microsoft Teams attendance list.

**3. DECLARATION OF INTERESTS**

The JAPAC members and attendees declared that they have no interests in any of the item(s) on the agenda.

**4. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON:**

- The Chairperson mentioned that the meeting was a bit late, the IA reports were supposed to be presented on the second month of the first quarter, as they may not be relevant at the time of the meeting. He further stated that those reports will be noted just to close the loop in terms of their responsibility as the Oversight committee. However, if anyone wishes to discuss any matters pertaining to the reports, they are welcome to do so.
- The Chairperson stated and noted that the local government elections will take place on the 1<sup>st</sup> of November 2021.
- The Chairperson added that the formal performance evaluations for the Municipal Manager (MM) and Directors that was initially scheduled for 17 September 2021 will now take place on 29 September 2021.
- The Chairperson requested a closed session between the JAPAC and the MM after the main meeting. The Chairperson stated that the Mayor was also welcome to attend the session. The Mayor stated that he will not be available for a closed session as he has another scheduled appointment at 17h00 in Gansbaai and requested to be excused around 16h00.

**5. CONFIRMATION OF PREVIOUS MINUTES**

**5.1. 24 February 2021: Ordinary JAPAC Meeting**

The JAPAC adopted the minutes of:

- 28 April 2021 – no corrections/ additions made
- 26 May 2021 – no corrections/ additions made
- 18 June 2021 – page 2 – The JAPAC commented that it was agreed in this meeting that the IAS and MM should ensure that a responsible Director for a specific audit report is present in the JAPAC meeting where the audit report that relates to his/ her directorate is presented to respond to any audit queries that may arise during the presentation of the report and the MM concurred with that. The MM pointed out that it is IAS's responsibility to send invites to relevant Directors and therefore, they should ensure as the secretariat that meeting invites are sent to the Directors.
- 24 August 2021 – no corrections/ additions made

**6. MATTERS ARISING FROM THE PREVIOUS MINUTES**

All items on the action register were noted by JAPAC as completed except for **item 4 of 24/02/2021 (Re:6.) – in progress.**



## 7. STANDING ITEMS

The JAPAC enquired if there were any issues subsequent to the 30<sup>th</sup> of June 2021 that the CFO wants to bring to the attention of the JAPAC in respect of the budget statement, debt collection and creditors report.

The CFO confirmed that there was nothing that needed to be brought to the attention of the JAPAC so far in consideration of the financial position and/ or any events post the AFS submission. The CFO added that if the JAPAC would like to have a shorter version of the latest updated status in respect of the budget statement, debt collection and creditors report at the end of August for more relevance, she will provide it shortly.

The JAPAC stated that would appreciate the updated feedback from the CFO.

### 7.1. QUARTERLY BUDGET STATEMENT REPORT

#### 7.1.1. Fourth Quarter (April 2021 – June 2021) for the financial year 2020/21

##### RESOLVED

The JAPAC noted the presentation of the budget statement report.

### 7.2. REPORT(S): SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The JAPAC sought an indication of anything that may require JAPAC's attention or concern.

Management confirmed that there was nothing that needed to be brought to the attention of the JAPAC at that moment.

##### RESOLVED

The JAPAC noted the SDBIP report.

### 7.3. DEBT COLLECTION

#### 7.3.1. DEBT COLLECTION REPORT MARCH 2021

The JAPAC noted that in June 2020, the total outstanding debtors were R128 million, and a year later (in June 2021), there was a similar figure of R128 million, unlike previous years in which outstanding debtors grew or increased from one year to another. The JAPAC enquired whether there was anywhere in the report in which one can obtain information relating to debtors written off, as debtors written off can significantly impact on the outstanding debtors.

The CFO commented that management submit irrecoverable debt(s) reports to Council twice a year, and that she will incorporate that information in future for JAPAC to have an idea of the amounts written off. The CFO confirmed that irrecoverable debts are below a million rand for the past 12 months and write-offs have no significant impact on the municipality debtors, and that she is awaiting a draft report that was submitted to Council and will discuss and interrogate it with her colleagues within the next few days.

The CFO stated that in accordance with their debt collection policy and customer care and client services policy, they are only allowed to present to Council irrecoverable debt(s) reports to be written off as the last resort after they have followed all possible steps in the debt collection process.

The JAPAC noted all comments from the CFO

#### 7.3.2. REPORT ON DEBT COLLECTION PROCESS JUNE 2021

The JAPAC noted the Debt Collection Report and Process as at 30 June 2021 for the financial year 2020/21.



#### 7.4. CREDITORS REPORT

The JAPAC noted the Creditors Report as at 30 June 2021 for the financial year 2020/21

##### RESOLVED

The JAPAC noted all the finance reports as at 30 June 2021

#### 7.5. AUDIT ACTION PLAN AS AT 24 AUGUST 2021

The JAPAC reviewed the content of the Audit Action Plan, comments and questions were raised.

The JAPAC requested an assurance from management that the action items on the AAP that have not been completed are unlikely to be repeat findings. The JAPAC added that as agreed with IAS as the assurance provider, they will be requested by the JAPAC to review the implementation of these corrective steps as part of the combined assurance approach prior to the AGSA starting their audit. This to ensure that both management and the JAPAC get comfort that the required action items have indeed been completed.

The JAPAC suggested that management should avoid having same repeated findings constantly, i.e., if AGSA makes recommendations, management should ensure that they implement those recommendations and agreed actions thereto.

The CFO added that there will be an updated AAP with the updated statuses of the audit findings identified and/ or listed on the AAP a month later.

##### RESOLVED

The JAPAC noted the Audit Action Plan as at 24 August 2021 for the financial year 2020/21.

#### 7.6. RISK MANAGEMENT

##### 7.6.1. High Risk Register as at 05 July 2021

The JAPAC requested a synopsis of the five (5) key risks that keep the MM and Mayor awake at night. The JAPAC further enquired whether the risk register was reflective of those key risks, and that if that's the case, then the risk register was a fair reflection and risk management process was sound. Therefore, the JAPAC as the oversight body can say the Risk Management process is working well.

The MM provided a high-level summary of those risks, stating that they are the strategic risks and a combination of risks identified by Council and by management. The MM mentioned:

1. The current situation in the country specifically with regards to the pandemic.
2. Illegal land grabbing
3. Regression in debt collection
4. Protest actions are on the Council agenda for a number of years, but they haven't seen any recurring protest actions currently, but with the previous incidents that occurred in Gauteng and KwaZulu Natal, it should remain a high risk that can occur at any time.
5. Disaster management
6. Climate change –some of the municipal infrastructure and houses are close to the shoreline. However, it is not within the municipality's powers to mitigate the risk of climate change as it is a global issue.

The Mayor described the risks that keep him awake at night as follows:

1. The threat of civil unrest although the municipality have fortunately not experienced it since 2018. It remains a threat and it is exacerbated by the fact that National Government have withdrawn large sums of money from the Western Cape Government over the three (3) year period which then resulted in drastic cuts in budgets. One of the items that have been cut completely was RDP housing. Therefore, all contracts for the building of houses in this financial year had to be cancelled, except for those contracts that were already awarded.



Currently, there are people who have been on the waiting list for housing for many years, the municipality built up expectations, but nothing is happening and that's a boiling pot that will in all probability blow its lid before funds become available.

2. As far as the debt collection rate is concerned, when the municipality is sitting with a debt collection rate of more than 98%, it's likely going to be a risk because it's hard to go up and will in all likelihood go down, and therefore remains a risk.
3. Sea rising is not a concerning issue to him. However, changes in the rainfall pattern where the municipality is receiving or getting much larger quantities of rainfall in quite a short period of time and that is resulting in flooding particularly again in informal areas. It is already putting a strain on the infrastructure particularly on the stormwater side and also has an impact on sewerage to an extent.
4. In terms of disaster management and fire services, although fire is not the municipality's mandate but a district council's mandate, fire is indeed a risk to this municipality and, unfortunately, an underfunded mandate.

The JAPAC requested that they have a separate session with the CRO in the JAPAC pre-meeting on the 28<sup>th</sup> of October 2021. The JAPAC indicated that they are comfortable that the risk management is sound, the next level of maturity is to get an articulation and categorising of the risks a bit more specific so as to make it clear that management is dealing with real issues.

The CRO accepted the invite from the JAPAC.

The CRO added that the Risk Management Unit is currently doing the risk assessments – The CRO referred to the debt collection that it has been re-assessed and was no longer regarded a high risk since the current controls in place are effective subsequent to a discussion with the CFO; the only concern is with regards to older debts.

The CRO confirmed to the JAPAC that the reports presented merely reflects high risk with high residual risk rating.

#### **7.6.2. Report on Risk Management Activities and Implementation Plan Q3**

The CRO indicated that she had a discussion with the MM prior the meeting regarding this item. The CRO mentioned that she has at least 11 KPAs expected from her department. She added that she is unable to do everything alone in order to fully implement all the enterprise risk management activities within the organisation, hence they are looking at extending the intern's contract for another 12 months in order to continue assisting.

The CRO indicated that the current system in place is not user friendly, the reports that are presented to the JAPAC have to be manoeuvred before they are tabled to oversight committees. The vendor indicated that the municipality is still using the old version and to migrate to a new version, the municipality needs to make use of the tender process. However, the process won't be worthwhile as the current tender is expiring next year in June 2022. She indicated that she is currently exploring the systems that are used by other municipalities and found that the best system is used by George and Mossel bay and has been funded by PT. She indicated that she enquired from PT about the process and PT indicated that for them to fund, because it is very expensive to procure and install the system, it must be a system that can be used by the municipalities within the district and must not only benefit one municipality. However, the Risk Management Unit is doing its utmost best to provide information that will be useful to management.

#### **7.6.3. FARMCO Minutes\_28 January 2021**

The JAPAC noted the FARMCO minutes.



#### 7.6.4. Combined Assurance Model - 3rd Quarter 2020-2021

The JAPAC noted the Combined Assurance Model for 3<sup>rd</sup> quarter 2020/21.

#### RESOLVED

The JAPAC noted all the reports from Risk Management Unit.

### 8. CAE STATUS Report

#### 8.1. 4<sup>th</sup> CAE status update for 2020/21

Mr Essop presented the 4<sup>th</sup> CAE status update for the 2020/21 financial year on behalf of the CAE.

The JAPAC commented that there were some ad hoc audits that IAS was engaged in and that those reports are not reflected on status of projects completed. Therefore, the JAPAC suggested that IAS ensure that they record the hours spent on those ad hoc audits so as to allow the JAPAC to include time spent on them in calculating actual against budgeted hours.

#### Action 01 of 28 September 2021

JAPAC requested that IAS should ensure that they record the hours spent on those ad hoc audits in order for IAS to account for the time spent on those.

#### RESOLVED

The JAPAC noted the 4<sup>th</sup> CAE status report.

### 9. INTERNAL AUDIT REPORTS

#### 9.1. Predetermined Objectives (PDO's): Fourth Quarter (April 2021 – June 2021) for the financial year 2020/21

The report was presented to the JAPAC, no comments/ questions were raised regarding the report.

#### RESOLVED

The JAPAC noted the report relating to Predetermined Objectives (PDO): Fourth Quarter (April 2021 – June 2021) for the financial year 2020/21.

#### 9.2. Consulting Engagement re Increase in Invasion of Alien Vegetation

The JAPAC enquired from management whether this report and recommendations were useful and adequate to implement the controls. The JAPAC further suggested that the invasion of alien vegetation becomes an auditable area in the next round of the audit cycle, as the purpose of consulting engagement was an optimal option as management knew the breakdown/ weaknesses in the system.

The MM indicated that in his view the recommendations were definitely useful, and the report was very informative, and the recommendations can assist and add value in the municipality in rendering a better service.

The JAPAC sought an indication of whether management will implement those recommendations, and whether IAS will be able to perform an assurance engagement in the next two (2) year period to test if those controls are effective and adequate.

The MM concurred that in the next two (2) year period those recommendations will be implemented, and IAS can perform an assurance engagement on the effectiveness and adequacy of controls.

The JAPAC requested IAS to include this report in their 5-year strategic audit plan to consider



performing an assurance engagement in the next two (2) years.

Mr Essop noted the JAPAC's request.

**RESOLVED**

The JAPAC noted the report relating to Consulting Engagement re Increase in Invasion of Alien Vegetation 2020/21.

**9.3. Follow-up re Matters struck from the court roll**

The JAPAC noted on the report that the MM recommended that there should be proper staff training, so they sought a clarity whether the mentioned training did take place.

The MM confirmed that he had a discussion with the Director: Management Services regarding that and it was done.

The Director: Management Services attested that the training indeed took place and there are still follow-up trainings continuing.

**RESOLVED**

The JAPAC noted the report relating to Follow-up re Matters struck from the court roll for the financial year 2020/21.

**9.4. Governance Review June 2021**

The report was presented to the JAPAC, no questions/ comments were raised.

**RESOLVED**

The JAPAC noted the report relating to Governance Review for the financial year 2020/21.

**9.5. ADHOC REQUEST - COMPLAINTS RECEIVED re INDIGENT SUBSIDY GRANTS**

The JAPAC enquired when will the corrective actions that management agreed on be implemented? As the target date was not indicated on the report. The JAPAC further enquired how many other officials are benefiting from the indigent grant subsidy, and who are they? if any, as the report only indicated that this issue originated from two (2) employees? Furthermore, the JAPAC enquired when will this policy be addressed, and how does management know if there are no other officials benefiting who do not qualify?

The MM responded that policy has been amended already by Council, there has been a specific change in the policy to address some of the recommendations and the CFO can elaborate further on that. The MM also mentioned that management afforded every official that was, at that time, on the indigent list and was not supposed to be there, to come forward voluntarily for a period of ninety (90) days and declare that they have been receiving the indigent subsidy grant, if they have been. After the amnesty period is closed, management will determine if there are any officials who did not declare and if any, the municipality will recover the money from the officials.

The CFO suggested to JAPAC that there were no management comments as it was the MM's special request investigation. The CFO mentioned that the Finance Directorate decided to do their own investigation and have started with a process immediately focusing on municipal officials. However, there are three (3) challenges where:

1. A property is registered in the names of both husband and wife, the financial system provides one field for one ID number to be captured, therefore, they cannot capture both ID numbers to retrieve relevant information about the other party and validate it.
2. Two partners got married and both own properties and are registered under different surnames, therefore the system won't be able to detect that information.
3. A property is registered under family trust and the employee is a beneficiary of that trust.



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The CFO confirmed that they have started with ID numbers of all the employees to verify them as far as possible and measures will be in place, people who hasn't come forward to report by the end of this calendar year will have to repay the subsidy allocated to their accounts.

**Action 02 of 28 September 2021**

The JAPAC requested the CFO to provide an update on all deadlines given to municipal staff to come forward voluntarily for a period of ninety (90) days to declare that they have been receiving the indigent grant subsidy.

The CFO concurred with the JAPAC request and suggested that IAS keeps it on the agenda as a permanent or semi-permanent item.

Mr Essop noted CFO's suggestion.

**10. AUDIT FINDING(S) TRACKING REGISTER (FOLLOW-UP REGISTER)**

**Action 03 of 28 September 2021**

The JAPAC mentioned that it was discussed in the pre-meeting that all agreed management actions, recommendations, and action items that emanated from internal audit reports should be recorded on the tracking register to enable the JAPAC to monitor the implementation progress.

Mr Essop noted the JAPAC's comments.

Mr Essop presented an overview of the Audit Finding(s) Tracking Register on behalf of the CAE, indicating that there are currently unresolved findings in respect of: Matters struck from the court roll, DoRA, mSCOA, and PDO. This will be followed-up during the second quarter.

The Manager: Strategic services confirmed that the audit finding no.7 on the tracking register has been revised, the KPI has been re-worded to 'Portfolio Committee' and POE has changed to the 'minutes of the portfolio committee'.

**RESOLVED**

The JAPAC noted the Audit finding(s) tracking register.

**11. GENERAL**

The JAPAC enquired about the date of Audit strategy discussion with AGSA from the CFO and requested that an invite be sent to other JAPAC members.

The CFO confirmed that the meeting will be taking place on the 13<sup>th</sup> of October 2021 at 09h00 to 10h30 and other JAPAC members will be invited accordingly.

**12. NEXT MEETING**

The next JAPAC meeting (JAPAC meeting) will be held on the 28<sup>th</sup> of October 2021 at 14:00.

**13. CLOSING**

The meeting closed at 16:23

  
**B. VAN STAADEN**  
CHAIRPERSON

09 November 2021

DATE



**MICROSOFT TEAMS ATTENDANCE LIST**

<b>JAPAC MEETING</b>		
Full Name	User Action	Timestamp
E Essop	Joined	9/28/2021, 1:57:32 PM
CFO	Joined	9/28/2021, 1:57:33 PM
Mayor	Joined	9/28/2021, 1:57:33 PM
S Makwetu	Joined	9/28/2021, 1:57:33 PM
N Tsholoba	Joined	9/28/2021, 1:57:33 PM
V Silolo	Joined	9/28/2021, 1:57:33 PM
Mariska (Guest)	Joined	9/28/2021, 1:58:08 PM
Dean O'Neill	Joined	9/28/2021, 1:58:54 PM
R Louw	Joined	9/28/2021, 1:59:40 PM
Z Mazuthu	Joined	9/28/2021, 2:00:05 PM
Burton van Staaden	Joined	9/28/2021, 2:00:42 PM
Ronnie Kingwill (Guest)	Joined	9/28/2021, 2:01:45 PM
Desiree Arrison	Joined	9/28/2021, 2:02:29 PM
Gideon Serfontein (Guest)	Joined	9/28/2021, 2:04:08 PM
Andrew Komani	Joined	9/28/2021, 2:08:22 PM



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

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

**MINUTES / NOTULE**

**DATE / DATUM:** 04 NOVEMBER 2021  
(THURSDAY/ DONDERDAG)

**VENUE / PLEK:** VIRTUAL (*via MICROSOFT TEAMS*)

**TIME / TYD:** 14:00 HRS/UUR




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**MINUTES OF THE MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD VIRTUALLY (via MICROSOFT TEAMS) THURSDAY, 4<sup>TH</sup> OF NOVEMBER 2021 AT 14:00**

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**1. OPENING BY CHAIRPERSON**

The Chairperson, Mr B Van Staaden, welcomed everyone present to the video conference of the fourth JAPAC meeting in respect of the 2021/22 financial year.

**2. APPLICATION(S) FOR LEAVE OF ABSENCE**

Apologies received from the following official(s)/ member(s):

1. Mr E Essop (Internal Auditor)

**Persons present** - see the attached Microsoft Teams attendance list.

**3. DECLARATION OF INTERESTS**

The JAPAC members and attendees declared that they have no interest(s) in any of the items on the agenda.

**4. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON:**

- The Chairperson mentioned that he attended the formal evaluations of the Municipal Manager (MM) and Directors in an observer capacity on the 9<sup>th</sup> of September 2021. The Chairperson further alluded to the fact that the evaluation process was a fair process, and the results were satisfactory insofar as his assessment of the process is concerned.
- The Chairperson also mentioned that there was a special JAPAC meeting held on the 18<sup>th</sup> of October 2021 to consider the final report in respect of the *SCM tender investigation (re tender SC2132/2020)*, which was eventually referred back to the Chief Audit Executive (CAE) and the MM by the JAPAC. The CAE and the MM were requested by the JAPAC to provide feedback to the JAPAC regarding the report and the JAPAC received the report on the 3<sup>rd</sup> of November 2021. The Chairperson further noted that the JAPAC has forwarded the copy of the report to the AGSA, and the agenda of this meeting has been amended to add this matter as **Item 9.5**. However, the matter will be discussed in a closed session with the MM and the CAE and will be merely noted during this meeting.
- The Chairperson also noted that he, as the Chairperson of the JAPAC, had a meeting with the CAE on the 27<sup>th</sup> of October 2021 to review the JAPAC Workplan for the 2021/22 financial year.
- The Chairperson enquired from the MM if the MM knows the outcome of the Local Government elections that took place on the 1<sup>st</sup> of November 2021.
- The MM responded that he has the outcome with him, and the outcome is as follows:
  - ❖ In terms of the Overstrand Municipality wards:
    - The Democratic Alliance (DA) won 10 wards,
    - The African National Congress (ANC) won 3 wards, and
    - The Land Party won 1 ward.
  - ❖ In terms of the Overstrand Municipality proportional seats:
    - The DA received 7 seats,
    - The ANC received 1 seat,
    - The Land Party received 1 seat,
    - The African Christian Democratic Party (ACDP) received 1 seat,
    - The Freedom Front Plus (FF Plus) received 1 seat, and
    - The Economic Freedom Fighters (EFF) received 1 seat.



## 5. CONFIRMATION OF PREVIOUS MINUTES

### 5.1. 24 FEBRUARY 2021: ORDINARY JAPAC MEETING

The JAPAC adopted the minutes of:

- 28 September 2021, with the following proposed amendments:
  - ❖ Page 3 – that there should be a space between “the” and “30<sup>th</sup>” in the first line of the page.
  - ❖ Page 4 – under paragraph 7.6.1, that the last line of the first paragraph should read “...the Risk Management process is working well” instead of “...the situation is working well”.
  - ❖ Page 4 – under paragraph 7.6.1, that the second line of the second paragraph should read “the MM mentioned” instead of “He mentioned”.
  - ❖ Page 5 – under paragraph number 2, that the line should read “...it is hard to go up and will in all likeliness go down” instead of “...it is hard to go down and will in all likeliness go up”.
  - ❖ Page 7 – that the last line of the page should read “...employee is a beneficiary of the trust” instead of “...employee is a member of the trust”.
  - ❖ Page 8 – under paragraph 10, that the reports that are being referred to in the first line should be specified as to whether these are Internal Audit reports or External Audit reports. The CAE confirmed that these are Internal Audit reports. The JAPAC then requested that this line be added on the JAPAC action register as an action item. The CAE noted the comments from the JAPAC.

## 6. MATTERS ARISING FROM THE PREVIOUS MINUTES

All items on the action register were noted by JAPAC as completed except for **item 4 of 24/02/2021 (Re:6.)** – in progress.

## 7. STANDING ITEMS

### 7.1. QUARTERLY BUDGET REPORT AND SDBIP

**Re: Quarterly Budget Report – First Quarter (July 2021 – September 2021) for the financial year 2021/22**

The CFO presented an overview of the Quarterly Budget Report for the first quarter in respect of the 2021/22 financial year, indicating that the Year-to-Date (YTD) actual revenue is 0.28% below the YTD budget projections at the end of September 2021, and the operating expenditure is 2.11% below YTD budget projections as at September 2021, which is a good indication that the municipality is on track in terms of the approved budget.

The JAPAC noted the remarks by the CFO pertaining to the Quarterly Budget Report. However, few questions were raised by the JAPAC regarding huge amount differences of employee related costs and general expenses between different months, as well as the amounts that are reflected under the “June Outcome” column, as reflected on the *Monthly Budget Statement – Actual & revised targets for cash receipts & cash flows (Annexure 8 / 38 on the Budget Report)* on page 18 of the report.

The CFO responded that regarding the employee related costs, the reason for the *actual expenditure* in July not being the true reflection of the actual expenditure in reality is due to the changes that were made by the service provider (PayDay) on the system without the knowledge of the municipality.

Regarding the amounts reflected under the “June Outcome” column, the CFO stated that the amounts in this column are the balancing figures and as much as this can appear to be confusing at times, this is a template from National Treasury (NT) with their formulas.



**Action 03 of 04 November 2021**

The JAPAC requested the CFO to raise the matter regarding balancing amounts/ figures under the month of June of the current financial year ("*June Outcome*") with NT when the CFO engages with NT as this is very confusing.

The CFO noted the remarks from the JAPAC.

**Re: Service Delivery and Budget and Implementation Plan (SDBIP) - First Quarter (July 2021 – September 2021) for the financial year 2021/22**

The Director: Management Services stated that the amalgamation of the two reports, i.e., Budget Report and SDBIP Report, emanated from a request from Provincial Treasury and this is how the two reports will be presented to Council and JAPAC going forward. The Director: Management Services further stated that the focus on the SDBIP aspect of the report will be on what is required to be published, which is the Top Layer SDBIP and not the other reports that used to be tabled before the JAPAC previously.

Regarding the SDBIP aspect of the report, the Director: Management Services stated that for the first quarter, there were 20 Top Layer KPIs, of which 80% was achieved and 20% was not achieved. The Director: Management Services referred to the fact that the 1 KPI not achieved for the first quarter relates to Capital Spending, which falls under *Council and Municipal Manager*. The Director: Management Services further alluded to the fact that other than what is mentioned above, there is nothing that the JAPAC should be concerned about regarding SDBIP, stating that the municipality is on track in that regard.

The JAPAC enquired from the MM if the MM foresees any changes in Strategic Objectives (KPIs) as the new Political Office is coming soon.

The MM responded that it is difficult to tell as the municipality's SDBIP is linked to the budget. Therefore, if there could be any change(s) to the budget through adjustment budget, those will affect the SDBIP.

The JAPAC noted the remarks from the Director: Management Services and the MM. The JAPAC alluded to the fact that consideration and resolution should be taken as to how to deal with the matter regarding Financial Reports in the agenda (as the Budget Report is now combined with SDBIP and the Debt Collection Report and process are stand-alone items).

**RESOLVED**

The JAPAC noted the Quarterly Budget Report and SDBIP for the First Quarter in respect of the 2021/22 financial year.

**7.2. DEBT COLLECTION**

**7.2.1. Debt Collection Report as at 30 September 2021**

The CFO gave an overview of the Debt Collection Report for the first quarter in respect of the 2021/22 financial year. No question(s) and/ or comments were raised pertaining to the report.

**7.2.2. Report on Debt Collection process June 2021**

The CFO gave an overview of the Debt Collection process as at 30 September 2021, no question(s) and/ or comments were raised pertaining to the item.

**RESOLVED**

The JAPAC noted the Debt Collection Reports as at 30 September 2021.



### 7.3. CREDITORS REPORT

The JAPAC requested that the CFO focuses on the September 2021 section of the Creditors Report in her presentation of the report.

The CFO gave an overview of the September section of the Creditors report, indicating that the overall payment ratio of the Overstrand Municipality creditors at the end of September 2021 is 98%.

The JAPAC enquired about a significant amount of money in the list of top 20 creditors of the Overstrand Municipality in respect of Baboon Management Program.

The CFO responded that the amount is for a three-month period up to the end of September 2021 and relates to a company that helps with Baboon Management in the Overstrand Municipality. The project is managed under the Infrastructure and Planning Directorate, in the Environmental Services department.

#### RESOLVED

The JAPAC noted the Creditors Report as at 30 September 2021.

### 7.4. OVERSTRAND MUNICIPALITY: PROJECT AMNESTY PERIOD: INDIGENT HOUSEHOLDS

The CFO gave an overview of the Project Amnesty based on the Indigent Report, indicating that she believes that the municipality will be able to compile stats by the end of December 2021 regarding the feedback received from the individuals who incorrectly received Indigent Subsidy Grants.

The JAPAC enquired from the CFO how many municipal officials are still receiving the Indigent Grant while not eligible to be receiving the grant? And by when will the JAPAC know if this has been corrected?

The CFO responded that the process of comparing the ID numbers of Overstrand employees against those in the system has commenced and that so far, the CFO is aware of 4 Overstrand officials who are still receiving the Indigent Subsidy Grant.

#### Action 04 of 04 November 2021

The CFO further stated that in the next JAPAC meeting, the status of, and the statistics regarding the persons who should not have received the Indigent Subsidy Grant will be reported on.

#### RESOLVED

The JAPAC noted the progress report regarding Project Amnesty.

### 7.5. RISK MANAGEMENT

#### 7.5.1. High Risk Register as at 22 October 2021

The CRO gave an overview of the High Risk Register as at 22 October 2021, no questions/comments were raised pertaining thereto.

#### 7.5.2. Strategic Risk Register as at 22 October 2021

The CRO gave an overview of the Strategic Risk Register as at 22 October 2021, no questions/comments were raised pertaining thereto.

#### 7.5.3. Combined Assurance Status Report – Quarter 1 (July 2021 – September 2021)

The CRO gave an overview of the Combined Assurance Status Report for the first quarter in respect of the 2021/22 financial year, indicating that the *First Line of Defence*, which is management, is responsible to ensure that all high risks in their lines of operation are appropriately managed.



The CRO reported that the *Second Line of Defence*, which relates to the support structures, provided limited assurance in relation to cross-cutting operational activities.

Lastly, the CRO indicated that the *Third Line of Defence*, which relates to Internal Auditors, External Auditors, and Oversight Structures, provided an adequate assurance in relation to work performed during the period under review, with the exception of External Auditors (AGSA), which is in progress.

#### 7.5.4. Combined Assurance Model – Quarter 1 (July – September 2021) – Annexure A

The CRO stated that the Combined Assurance Model is an annexure to the Combined Assurance Status Report which was presented above.

#### 7.5.5. FARMCO Minutes – 28 June 2021

The JAPAC noted the minutes of the Fraud and Risk Management Committee (FARMCO) meeting of 28 June 2021.

The JAPAC commented that for the Risk Management to grow in maturity, it should be driven from the top. The JAPAC went further to explain that, in their experience, when the Risk Management is driven by the MM as the Chairperson the FARMCO with his/ her working committees under him/ her, it becomes easier to drive Risk Management to maturity.

The MM noted the comments from the JAPAC and stated that the municipality will consider the comments by the JAPAC and seek to improve in that respect.

#### RESOLVED

The JAPAC noted all the reports from Risk Management Unit.

### 8. CAE STATUS REPORT

#### 8.1. 1<sup>st</sup> CAE Status Update for 2021/22

The Chief Audit Executive (CAE) gave an overview of the status report, indicating that the two interns in the Internal Audit Services (IAS) department are doing well insofar as their IAT studies are concerned.

The CAE also noted that there was no impairment on IAS independence and objectivity, and no scope limitations were encountered during the performance of the audit projects for the period under review.

The JAPAC mentioned that it was resolved in the pre-meeting that the CAE will report on the Quality Improvement and Development Plan as part of his quarterly status update report.

The JAPAC also noted that it was resolved in the pre-meeting that the agreed management actions that emanate from Internal Audit reports will form part of the *Audit Finding(s) Tracking Register* to enable the JAPAC to determine to what extent have these been implemented by the responsible persons.

The CAE noted the remarks from the JAPAC.

#### RESOLVED

The JAPAC noted the 1<sup>st</sup> CAE status report in respect of the 2021/22 financial year.

### 9. INTERNAL AUDIT REPORTS

#### 9.1. Predetermined Objectives (PDO's): First Quarter (July 2021 – September 2021) for the financial year 2021/22



The report was presented to the JAPAC, no comments/ questions were raised regarding the report.

#### **RESOLVED**

The JAPAC noted the report relating to Predetermined Objectives (PDO): First Quarter (July 2021 – September 2021) for the financial year 2021/22.

#### **9.2. Key Controls Assessment Bi-Annual review (January 2021 – June 2021)**

The CAE gave an overview of the report, indicating that all the findings in the report were resolved except for 1 *housekeeping* finding which relates to ICT.

#### **RESOLVED**

The JAPAC noted the report relating to Key Controls Assessment Bi-Annual review (January 2021 – June 2021).

#### **9.3. Special Investigation re Theft of registration fees for 13 December 2019 and Incorrect receipting of fees**

The CAE gave an overview of the report, indicating that IAS have made recommendations in that report which were agreed with by MM and the Director: Protection & Security Services which duly ensured that those recommendations were implemented.

The CAE also noted that after his discussion with the Director: Protection & Security Services, it was deemed prudent, and was agreed upon, that the matter identified in the report be reported to the South African Police Service (SAPS) for further investigation, as the municipality is mandated to do so in terms of section 32 (6) of the Municipal Finance Management Act 56 of 2003 (MFMA). The CAE confirmed that the matter was indeed reported to SAPS and a case number was obtained.

The JAPAC enquired from the Director: Protection & Security Services, what has been done differently now by the municipality to ensure that a similar case of theft and fraud of fines money does not occur again?

The Director: Protection & Security Services stated that after the matter was referred to the SAPS, the SAPS referred the matter to the National Prosecuting Authority (NPA), who could not proceed with the prosecution(s) due to the fact that there was no prima facie evidence that the money was stolen. In addition, the two individuals who were alleged to be responsible for the theft and fraud of registration fees have resigned from service.

The Director: Protection & Security Services also stated that the IAS recommendations were implemented in an effort to avoid experiencing cases like these again, as well as to detect any cases similar to this that may arise. The Director also confirmed that since these recommendations have been implemented, there has never been any issue(s) similar to this until this far.

#### **RESOLVED**

The JAPAC noted that there are controls implemented in respect of registration fees to avoid re-occurrence of the similar case(s) in future.

#### **9.4. Consulting engagement re Curbing the transmission and spread of infectious diseases in the workplace**

The CAE gave an overview of the report. Subsequent to that, the JAPAC enquired from the Director: Management Services if the report did actually add value, given the fact that it was a consulting engagement.

The Director: Management Services confirmed that the report indeed added value and that management will consider the practicality of implementing the IAS recommendations in the report, taking into consideration the capacity in the relevant department.



Joint Audit & Performance Audit Committee Meeting  
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The JAPAC also enquired from the Director: Management Services how many, or what is the amount of Overstrand employees that are vaccinated for COVID-19?

The Director: Management Services responded that over and above 70% of the staff is vaccinated for COVID-19 to date.

**RESOLVED**

The JAPAC noted the report relating to consulting engagement *re* Curbing the transmission and spread of infectious diseases in the workplace.

**9.5. Ad hoc request – SCM tender investigation (re tender SC2132/2020)**

The JAPAC noted that they have received the final report in respect of the SCM tender investigation. However, there are issues in the report that the JAPAC would like to discuss with the MM in a closed session.

**RESOLVED**

The JAPAC has considered the report on the SCM Investigation and in view of the inconclusive outcome of Internal Audits findings and managements responses to these findings, JAPAC does not accept that the report has been concluded. The findings with regard to the 2 key aspects of the report, being the recalculation of the scoring and the appointment of sub-committee be referred to the External auditors for their assessment.

**10. AUDIT FINDING(S) TRACKING REGISTER (FOLLOW-UP REGISTER)**

The CAE gave an overview of the Audit Finding(s) Tracking Register, a few comments/questions were raised by the JAPAC pertaining to the register.

The JAPAC enquired from the CAE when do the follow-ups take place, i.e., does IAS wait until the due date of the respective findings before they follow-up on the implementation of the agreed actions?

The CAE responded that normally, when the action has been implemented, the responsible persons/ officials inform IAS. IAS then through verification of the actions, performs a follow up even before the due date for the particular item.

**RESOLVED**

The JAPAC noted the Audit finding(s) tracking register.

**11. GENERAL**

No items were listed for discussion.

**12. NEXT MEETING**

The next JAPAC meeting will be held on the 24<sup>th</sup> of February 2022 at 14:00.

**13. CLOSING**

The meeting closed at 15:40

**B VAN STAADEN  
CHAIRPERSON**

24 Feb 2022

**DATE**



Joint Audit & Performance Audit Committee Meeting  
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**MICROSOFT TEAMS ATTENDANCE LIST**

Full Name	Join Time	Leave Time	Duration
N Tsholoba	11/4/2021, 1:54:16 PM	11/4/2021, 3:41:10 PM	1h 46m
Desiree Arrison	11/4/2021, 1:56:00 PM	11/4/2021, 3:41:13 PM	1h 45m
D Van Der Heever	11/4/2021, 1:56:21 PM	11/4/2021, 4:12:00 PM	2h 15m
V Silolo	11/4/2021, 1:56:37 PM	11/4/2021, 3:41:15 PM	1h 44m
Burton van Staaden	11/4/2021, 1:59:09 PM	11/4/2021, 4:12:08 PM	2h 12m
Gideon	11/4/2021, 1:59:21 PM	11/4/2021, 4:12:07 PM	2h 12m
R Louw	11/4/2021, 1:59:38 PM	11/4/2021, 3:41:14 PM	1h 41m
Ronnie Kingwill (Guest)	11/4/2021, 2:00:03 PM	11/4/2021, 4:12:06 PM	2h 12m
Z Mazuthu	11/4/2021, 2:00:23 PM	11/4/2021, 3:41:20 PM	1h 40m
Mariska (Guest)	11/4/2021, 2:00:30 PM	11/4/2021, 4:12:04 PM	2h 11m
Neville Michaels	11/4/2021, 2:00:32 PM	11/4/2021, 3:37:21 PM	1h 36m
S Makwetu	11/4/2021, 2:00:59 PM	11/4/2021, 3:41:11 PM	1h 40m
Dean O'Neill	11/4/2021, 2:01:11 PM	11/4/2021, 4:12:08 PM	2h 10m
CFO	11/4/2021, 2:01:50 PM	11/4/2021, 3:41:18 PM	1h 39m