

**11.
REPORT OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE
(JAPAC) TO THE OVERSTRAND MUNICIPAL COUNCIL****DC Van Der Heever
13 March 2023****Chief Audit Executive****(028) 313 5035**

1. Executive Summary

The purpose of the report is to present Council with the Report 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 24 February 2021.

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 2022/23 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 :****27 MARCH 2023**

Date: 14 February 2023

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 2022/23 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 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 29 August 2022 to 31 December 2022.

Yours truly



PIETER STRAUSS

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

Email: pieter.strauss@mweb.co.za

OVERSTRAND MUNICIPALITY**REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL****REPORT 1 OF 2022/23 FINANCIAL YEAR****1. REPORT ON ACTIVITIES OF THE JAPAC**

During the period 29 August 2022 to 31 December 2022, the JAPAC convened three (3) meetings, namely:

- JAPAC Meeting held on 10 November 2022 (in-person).
- JAPAC Special Meeting with AGSA held on 28 November 2022 (virtual).

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

Member	JAPAC Meeting held on 10 November 2022	JAPAC Meeting held on 28 November 2022
Mr P Strauss (<i>JAPAC Chairperson</i>)	Attended	Attended
Mr T Blok (<i>JAPAC member</i>)	Attended	Attended
Mr C Pieterse (<i>JAPAC member</i>)	Attended	Attended
Mr D Smith (<i>JAPAC member</i>)	Attended	Attended

In addition to the above meetings, members of the JAPAC also attended the following meetings during the period 29 August 2022 to 31 December 2022:

- JAPAC Chairperson attended the formal performance evaluations of the MM and Directors held on 27 September 2022.
- JAPAC Chairperson and one (1) JAPAC member attended the Audit Steering Committee Meeting with AGSA and Overstrand Municipality Management, held on 29 September 2022.
- JAPAC orientation session with Overstrand Municipality Management was held on 25 October 2022.

2. INTERNAL AUDIT REPORTS

During the period 29 August 2022 to 31 December 2022, the following internal audit reports/ documents were presented by the Chief Audit Executive and considered by the committee:

Meeting date	Internal Audit Reports
10/11/2022	1. Theft and vandalism to municipal assets/ infrastructure
	2. Evaluating the Risk Management Process
	3. Division of Revenue Act 2021 (DoRA)
	4. Combined Assurance Bi-Annual review 2
	5. Key Controls Assessment Bi-Annual review 1

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

3. INTERNAL AUDIT STAFFING

OVERSTRAND MUNICIPALITY**REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL****REPORT 1 OF 2022/23 FINANCIAL YEAR**

The JAPAC noted that the Internal Audit Services is currently not operating at its full capacity. The JAPAC recommends that vacancies be filled as soon as is practically possible.

4. RESOLUTIONS OF THE JAPAC

The following minutes of the JAPAC meeting have been noted during the JAPAC meeting of 10 November 2022, as the current JAPAC members were only appointed by Council on 29 August 2022:

1. JAPAC Meeting held on 28 April 2022 (Virtual) – **Annexure B**

Copies of the approved minutes of the meetings convened by the newly appointed JAPAC, which contains the JAPAC resolutions, are hereby attached:

1. JAPAC Meeting held on 10 November 2022 (Virtual) – **Annexure C**
2. JAPAC Meeting held on 28 November 2022 (Virtual) – **Annexure D**

5. REPORT ON PERFORMANCE MANAGEMENT

At the JAPAC meetings held during the period 29 August 2022 to 31 December 2022, the following quarterly report(s) in respect of performance management were presented and considered by the JAPAC:

4 th Quarter Reports re 2021/2022 (01 April 2022 to 30 June 2022)	1. Internal Audit Report: Predetermined Objectives Quarter 4 2021/2022
	2. Quarterly Budget and SDBIP report for Quarter 4 re 2021/2022
1 st Quarter Reports re 2022/2023 (01 July 2022 to 30 September 2022)	3. Predetermined Objectives – Quarter 1 2022/2023
	4. Quarterly Budget and SDBIP report for Quarter 1 re 2022/2023

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 thereof.

6. REPORT ON RISK MANAGEMENT

At the JAPAC meetings held during the period 29 August 2022 to 31 December 2022, the following quarterly reports in respect of risk management were presented and considered by the JAPAC:

Meeting dates	Risk Management Reports
10/11/2022	1. High Risk Register as at 05 July 2022
	2. High Risk Register as at 05 October 2022
	3. Strategic and Emerging Risk Register for 2022/2023

OVERSTRAND MUNICIPALITY**REPORT OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE MUNICIPAL COUNCIL****REPORT 1 OF 2022/23 FINANCIAL YEAR**

Meeting dates	Risk Management Reports
	4. Combined Assurance Status Report for Quarter 1 re 2022/2023
	5. FARMCO Minutes re 30 June 2022
	6. FARMCO Minutes re 05 August 2022
	7. Report on Risk Management activities and implementation plan for Quarter 4 re 2021/2022
	8. Report on Risk Management activities and implementation plan for Quarter 1 re 2022/2023

The JAPAC takes cognizance of the fact that there is some improvement required regarding the Risk Management process of the Overstrand Municipality to optimise maturity and effectiveness thereof. Mr Tom Blok has been seconded as a permanent invitee to FARMCO to assist with the Risk Management process.

7. AUDIT OUTCOMES 2022

The JAPAC wants to congratulate Council, MAYCO, Management and staff for achieving another unqualified audit opinion with no findings.

8. OTHER MATTERS

JAPAC would like to have regular interactions with MAYCO to improve communication and governance. These dates will be agreed upon between JAPAC and MAYCO.

9. NEXT MEETING

The next meeting date of the JAPAC is 24 April 2023.

END



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

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

MINUTES / NOTULE

DATE / DATUM: 28 APRIL 2022
(THURSDAY/ DONDERDAG)

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) THURSDAY, 28TH OF APRIL 2022 AT 14:00

1. OPENING BY CHAIRPERSON

The Chairperson, Mr B Van Staaden, welcomed everyone present to the video conference of the sixth 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. Mrs Z Mazuthu (Chief Risk Officer)
2. Mrs R Louw (Senior Manager: Strategic Services)
3. Mrs D Arrison (Director: Management Services)
4. Ms N Tsholoba (Intern: Internal Audit)

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 and Internal Audit Services (IAS) attended a meeting with the Auditor-General of South Africa (AGSA) on the 14th of March 2022, at which matters such as Supply Chain Management (SCM) irregularities and AGSA's audit findings on the previous year's audit were discussed.
- The Chairperson proposed a closed session between the JAPAC, the Municipal Manager (MM) and the Executive Mayor after the adjournment of the JAPAC meeting to discuss the foregoing and other important matters that are of concern to the JAPAC.
- The Executive Mayor advised that she, the MM, and the CFO can only be available until 15:15 as they have to prepare for the IDP community meeting to attend later.
- The Chairperson noted the remarks from the Executive Mayor and allowed the Executive Mayor and the MM an opportunity to share any statements that the Executive Mayor and the MM wish to share in the meeting.
- The MM thanked the Chairperson for the opportunity and stated that the Special Investigating Unit (SIU) is currently underway with the housing investigation which was prompted by the IAS report. The SIU is currently in Hermanus and has started to conduct interviews with officials and members of the public who were identified in the report. The SIU has indicated that they intend to conclude the investigation by the end of June 2022.
- The Executive Mayor thanked the Chairperson for the opportunity and stated that she only wishes to express her serious concern about the business process integrity in the Housing Department of the municipality and thinks that a huge reputational risk is awaiting the municipality in that regard.

The Executive Mayor also mentioned that she and the MM agreed that a lifestyle audit should begin in this municipality and should begin with the Executive Mayor and the MM, followed by the Directors. Thereafter, the Executive Mayor and the MM will decide how far down the lifestyle audit goes.

The Executive Mayor stated that her view is that everyone who is involved in managing fines, payments, dockets and waiting lists in which the community has direct interest should

be subjected to a lifestyle audit and/ or other forms of integrity management. The Executive Mayor stated that she strongly feels that the lifestyle audit is something that needs to be monitored very closely by the JAPAC.

Action 01 of 28 April 2022 of main meeting

The JAPAC resolved that monitoring of lifestyle audit in Overstrand Municipality be added on the JAPAC agenda as a standing agenda item.

The JAPAC also resolved that the closed session with the Executive Mayor, the MM and the councillors present in the meeting be held earlier and not after the main meeting. Subsequently, the closed session was held at 14:16, all other officials not invited in the closed session, including management and IAS, were requested to log off the meeting and log on again after the closed session.

After the meeting, the JAPAC asked the secretariat to note that the Executive Mayor lost her connection 5 minutes before the end of the closed session.

Furthermore, the Chairperson stated that it was resolved in the closed session that the JAPAC will have an in-person meeting with the MM and the Executive Mayor, which the MM's office will facilitate.

5. CONFIRMATION OF PREVIOUS MINUTES

5.1. 24 FEBRUARY 2022: ORDINARY JAPAC MEETING

The JAPAC adopted the minutes of 24 February 2022 with the following amendments:

- Page 2, under action item 03 of 24 February 2022 – that the phrase “*within the next two weeks*” is repeated in that sentence/ action item and one “*within the next two weeks*” should be removed.

6. MATTERS ARISING FROM THE PREVIOUS MINUTES

The CAE gave a synopsis/ summary status of the action items in the action register of the JAPAC, indicating that:

Action item 4 of 24/02/2021 (Re: 6) [re Budget of IAS] – the CAE sent an email with IAS budget to the JAPAC, this item is therefore completed/ closed.

Action item 1 of 04/11/2021 (Re: 5 of pre-meeting) [re SIU Investigation] – the SIU is underway with interviews, this item is therefore ongoing.

Action item 2 of 04/11/2021 (Re: 5 of pre-meeting) [re Quality Improvement and Development Plan] – the CAE has included Quality Improvement and Development Plan] in his status report, this item is therefore completed/ closed.

Action item 4 of 04/11/2021 (Re: 7.4) [re Indigent matter] – this item is part of the agenda and will be addressed by the CFO under item 7.5, this item is therefore ongoing.

Action item 1 of 24/02/2022 (Re: 3 of pre-meeting) [re provision for commentary in the Auditee Assessment] – provision for commentary has been included in the Auditee Assessment, this item is therefore completed/ closed.

Action item 2 of 24/02/2022 (Re: 3 of pre-meeting) [re progress on implementation of IAS recommendations on Audit Findings Tracking Register] – the Audit Findings Tracking Register includes the progress and status of implementation of IAS recommendations and is part of the agenda as item 10, this item is therefore completed/ closed.

Action item 3 of 24/02/2022 (Re: 4) [re briefing on the suspension of Director Williams] – the



8/36

JAPAC confirmed that the JAPAC has been briefed on this matter in the closed session, the item is therefore completed/ closed.

Action item 4 of 24/02/2022 (Re: 7.5) [re progress on the status of implementation of corrective actions on the AG findings on AAP] – the status of implementation of corrective actions has been included in the Audit Action Plan (AAP) and the item is part of the agenda as item 7.5, this item is therefore completed/ closed.

Action item 5 of 24/02/2022 (Re: 7.6.2) [re delegated person to present Risk Management reports] - the Chairperson of Fraud and Risk Management Committee (FARMCO) will stand in for the CRO in respect of Risk Management reports, this item is therefore completed/ closed.

RESOLVED

The JAPAC noted with satisfaction that all issues in the action register of the JAPAC are being attended to.

7. STANDING ITEMS

7.1. QUARTERLY BUDGET REPORT AND SDBIP

Re: Quarterly Budget Report – Third Quarter (January 2022 – March 2022) for the financial year 2021/22

The CFO presented an overview of the Quarterly Budget Report for the third quarter in respect of the 2021/22 financial year, indicating that the municipality is on track with the planning and processes for the financial year-end, a few questions/ comments were raised by the JAPAC regarding the unused funds in respect of capital budget.

The CFO responded that some of the unused funds in respect of capital budget will not be used by the end of the financial year and a roll-over will be requested in respect of those.

Re: Service Delivery and Budget and Implementation Plan (SDBIP) - Third Quarter (January 2022 – March 2022) for the financial year 2021/22

The Senior Administrator Officer: Strategic Services, on behalf of the Senior Manager: Strategic Services, gave an overview of the SDBIP report in respect quarter 3 2021/22 financial year, indicating that the municipality is on track to meet all targets by the end of the financial year in so far as KPIs are concerned.

RESOLVED

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

7.2. DEBT COLLECTION

7.2.1. Debt Collection Report as at 31 March 2022

The CFO gave an overview of the Debt Collection Report for the third quarter in respect of the 2021/22 financial year.

The JAPAC commented that notwithstanding the challenges that the municipality is faced with regarding debts collection, the JAPAC commends the municipality for the efforts and processes employed to manage debt collection and related processes.

7.2.2. Report on Debt Collection process – March 2022

The CFO gave an overview of the Debt Collection process as at 31 March 2022, no question(s) and/ or comments were raised pertaining to the item.



RESOLVED

The JAPAC noted the Debt Collection Reports as at 31 March 2022.

7.3. CREDITORS REPORT AS AT 31 MARCH 2022

The CFO gave an overview of the Creditors Report as at 31 March 2022. No major questions/ comments were raised by the JAPAC except that the municipality seems to be on track in so far as creditors management is concerned.

RESOLVED

The JAPAC noted the Creditors Report as at 31 March 2022.

7.4. OVERSTRAND MUNICIPALITY: PROJECT AMNESTY PERIOD: INDIGENT HOUSEHOLDS

The CFO gave an overview of the Project Amnesty, indicating that the revised Indigent Policy will serve before Council on 31 May 2022 and that the number of staff members currently receiving the grant is 232.

RESOLVED

The JAPAC noted the progress report regarding Project Amnesty.

7.5. AUDIT ACTION PLAN AS AT 13 APRIL 2022

The CFO gave an overview of the Audit Action Plan (AAP) as at 13 April 2022, indicating that the AAP is being reviewed on a monthly basis to update status on the progress of implementation of corrective actions has now been included for each action item on the AAP, thanks to the JAPAC's suggestion.

RESOLVED

The noted that the AAP is being reviewed on a monthly basis to keep the status on the progress of implementation of corrective actions updated.

7.6. RISK MANAGEMENT

7.6.1. High Strategic Risk Register as at 04 April 2022

The Chairperson of FARMCO, in the absence of the CRO, gave an overview of the High Strategic Risk Register as at 04 April 2022, no questions/ comments were raised pertaining thereto.

7.6.2. High Operational Risk Register as at 04 April 2022

The Chairperson of FARMCO, in the absence of the CRO, gave an overview of the High Operational Risk Register as at 04 April 2022, no questions/ comments were raised pertaining thereto.

The JAPAC requested that going forward, as part of the Risk Management Reports presented to the JAPAC, there should be a report indicating progress on the implementation and effectiveness of the controls employed to mitigate all the risks listed in the Risk Registers to an acceptable level.

The Chairperson of FARMCO responded that there is a progress report in place already regarding the implementation of controls to mitigate the risks to an acceptable level, and that can be made available to the JAPAC.

The JAPAC noted the remarks from the Chairperson of FARMCO and further suggested that the progress/ movements on the risks should be recorded in the FARMCO minutes as this is the sitting in which such discussions and decisions take place.

The Chairperson of FARMCO noted that the JAPAC requires a high-level report on the movement of Risks.

The JAPAC noted the remarks from the Chairperson of FARMCO.

Action 02 of 28 April 2022 of main meeting

The JAPAC stated that the secretariat should ensure that the JAPAC gets the high-level report on the movement of risks and that all the other information on Risk Management is in support of such report.

The JAPAC further stated that the role of the CRO is to facilitate Risk Management processes at the Overstrand Municipality and not to own the risks, rather Managers/ Directors are the risk owners and should own the risks.

7.6.3. FARMCO Minutes re 02 February 2022

The JAPAC noted the minutes of the Fraud and Risk Management Committee (FARMCO) meeting of 02 February 2022.

7.6.4. Combined Assurance Status Report Quarter 3 2021/22

The Chairperson of FARMCO, in the absence of the CRO, gave an overview of the Combined Assurance Status Report for quarter 3 in respect of 2021/22 financial year. Few questions were raised by the JAPAC regarding the alignment of, and coordination between the 'three lines of defence' in so far as Combined Assurance model is concerned.

The Chairperson of FARMCO responded that challenges such as training of all assurance providers and policy reviews, as reported in the IAS Combined Assurance review report, are not resolved yet but are duly noted and being attended to.

RESOLVED

The JAPAC noted all the reports from Risk Management Unit.

8. CAE STATUS REPORT

8.1. 3rd CAE Report - status update for 2021/2022

The Chief Audit Executive (CAE) gave an overview of the status report, indicating that the two interns' contracts have been extended for further 12 months to allow them time prepare for, and be assessed by the Institute of Internal Auditors South Africa (IIASA) on the Internal Audit Technician (IAT) programme, upon successful completion of which they will be qualified IATs.

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 Quality Improvement and Development Plan has been included as a standing item in the CAE status update report, as per the JAPAC's request. The next external assessment will take place in 2023.

RESOLVED

The JAPAC noted the 3rd CAE status report in respect of the 2021/22 financial year.

9. INTERNAL AUDIT REPORTS

9.1. Predetermined Objectives (PDOs): Third Quarter (January 2022 – March 2022) for the financial year 2021/2022

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): Third Quarter (January 2022 – March 2022) for the financial year 2021/2022.

9.2. Key Controls Assessment Bi-Annual review (July 2021 – December 2021)

The CAE gave an overview of the report, indicating that out of the 6 issues in the report, three findings are deemed unresolved, and the other three issues are resolved.

The CFO commented that with regard to the SAMRAS and ONTEC findings, which require KPIs to be uploaded on Ignite System, the colleagues in the Finance department received an email from the HR department stating that the KPIs cannot be loaded on the Ignite System as the timeframe for the loading of KPIs is long overdue, which prevents the findings to be practically resolved.

The JAPAC commented that they will leave that issue to the CFO to deal with.

RESOLVED

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

9.3. Combined Assurance review – (Bi- annual 1)

The CAE gave an overview of the report, indicating that Governance Processes, Risk Management Processes, and Control Processes are inadequate, ineffective, and inefficient with regard to Combined Assurance in the Overstrand Municipality.

The JAPAC enquired what is the timeframe for the IAS recommendations to be implemented in so far as Combined Assurance audit report is concerned?

The CAE commented that a period of 6 months would be appropriate for the implementation of the IAS recommendations, with which the Chairperson of FARMCO concurred.

RESOLVED

The JAPAC noted the report relating to Combined Assurance Bi-Annual review with concerns, stating that they will continue to monitor the progress on the implementation of IAS recommendations.

Action 03 of 28 April 2022 of main meeting

The JAPAC requested that an implementation plan with regard to addressing Combined Assurance issues identified in the IAS report, with clear objectives and timeline, be drafted and submitted to the JAPAC in the next ordinary JAPAC meeting for monitoring purposes by the JAPAC.
--

The Chairperson of FARMCO concurred with the JAPAC's request, stating that it is not unreasonable at all.

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

The CAE gave an overview of the Audit Finding(s) Tracking Register. The JAPAC enquired from the CAE whether there are any issues of concern that the JAPAC needs to know about with regard to the Audit Finding(s) Tracking Register, e.g., recommendations not being implemented, etc

The CAE responded that for now, there are no issues for the JAPAC to be concerned about in that regard. When such issues arise, the CAE will bring those to the attention of the JAPAC.

RESOLVED



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

11. GENERAL

No items were listed for discussion.

12. NEXT MEETING

The JAPAC suggested that the next JAPAC meeting be scheduled to be held sometime before the end of May 2022 when all the current JAPAC members are still available.

The JAPAC members also expressed their dissatisfaction with the way the succession plan for the JAPAC members was handled.

13. CLOSING

The meeting closed at 16:33

B VAN STAADEN
CHAIRPERSON

DATE

MICROSOFT TEAMS ATTENDANCE LIST



Joint Audit & Performance Audit Committee Meeting
Minutes of the Meeting: 28 April 2022

13/36

Full Name	User Action	Timestamp
E Essop	Joined	4/28/2022, 1:56:46 PM
E Essop	Left	4/28/2022, 2:16:31 PM
E Essop	Joined	4/28/2022, 3:08:08 PM
Annelie Rabie	Joined before	4/28/2022, 1:56:46 PM
S Block	Joined before	4/28/2022, 1:56:46 PM
F Africa	Joined before	4/28/2022, 1:56:46 PM
Ronnie Kingwill (Guest)	Joined before	4/28/2022, 1:56:46 PM
Dean O'Neill	Joined	4/28/2022, 1:57:05 PM
Dean O'Neill	Left	4/28/2022, 3:14:43 PM
D Van Der Heever	Joined	4/28/2022, 1:57:06 PM
D Van Der Heever	Joined	4/28/2022, 3:08:39 PM
Mariska (Guest)	Joined	4/28/2022, 1:57:19 PM
S Makwetu	Joined	4/28/2022, 1:57:25 PM
S Makwetu	Left	4/28/2022, 2:16:31 PM
S Makwetu	Joined	4/28/2022, 3:08:51 PM
Gideon Serfontein (Guest)	Joined	4/28/2022, 1:58:04 PM
Gideon Serfontein (Guest)	Left	4/28/2022, 4:33:28 PM
CFO	Joined	4/28/2022, 1:59:03 PM
CFO	Joined	4/28/2022, 3:08:12 PM
R Williams	Joined	4/28/2022, 1:59:55 PM
Burton van Staaden	Joined	4/28/2022, 2:00:42 PM
L Ntsabo	Joined	4/28/2022, 2:02:10 PM
L Ntsabo	Left	4/28/2022, 2:02:39 PM



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

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

MINUTES / NOTULE

DATE / DATUM: 10 NOVEMBER 2022
(THURSDAY/ DONDERDAG)

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

TIME / TYD: 09:30 HRS/UUR



MINUTES OF THE MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) HELD IN THE COMMITTEE ROOM, INTERNAL AUDIT SERVICES, NERINA ROAD, HERMANUS ON THURSDAY, 10TH OF NOVEMBER 2022 AT 09:30

1. OPENING AND WELCOMING

Mr CCC Pieterse opened the meeting with a prayer, and the Chairperson, Mr PAL Strauss, welcomed everyone present to the first JAPAC meeting in respect of the 2022/2023 financial year.

2. APPLICATION(S) FOR LEAVE OF ABSENCE

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

1. Mr S Madikane (Director: Economic & Social Development & Tourism)
2. Mr S Müller (Director: Infrastructure & Planning)

Persons present - see the attached attendance register.

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 made the following statements:

- That this was their first meeting as the newly appointed Joint Audit and Performance Audit Committee (*hereafter referred to as JAPAC*) of the Overstrand Municipality.
- That this meeting has special circumstances/ exceptions as it covers two quarters (*i.e.*, quarter 4 2021/2022 and quarter 1 2022/2023) as opposed to one quarter.

The JAPAC agreed with the CAE that considering the fact that the Auditor-General of South Africa (*hereafter referred to as AGSA*) is currently busy with the year-end audit in the municipality, and quarter 1 reports are more relevant as they contain recent information, quarter 4 2021/2022 reports will not be dealt with in detail; instead, more time and effort will be employed in discussing the quarter 1 2022/2023 reports in greater detail.

The Chairperson also proposed that the following matters be added on the agenda for consideration:

- That before the Chief Financial Officer (*hereafter referred to as CFO*) leaves the meeting, the CFO must provide the JAPAC with a progress report on the year-end audit by AGSA.
- That before the adjournment of the meeting, the JAPAC must be provided with dates for the review of Internal Audit and JAPAC Charters.
- A suggestion that the AGSA should present the Audit Strategy to the JAPAC separately, and not as part of the Audit Steering Committee meeting.
- That the JAPAC will also need to be provided with brief feedback on the Municipality's readiness and compliance with Protection of Personal Information Act (*hereafter referred to as POPIA*).
- That the JAPAC will need to be briefed on how the municipality will deal with the new Supply Chain Management (*hereafter referred to as SCM*) regulations that will be coming into effect on the 16th of January 2023, and whether the municipality is ready for the implementation of these regulations.
- That the JAPAC still needs to submit its quarterly reports to Council and the Municipal Public Accounts Committee (*hereafter referred to as MPAC*) in respect of quarter 1 2022/2023, but management do not need to be present in the meeting when these reports are discussed. However, management need to be present during the discussions of Internal Audit reports, as management need to address findings identified by the Internal Audit Services (*hereafter*



16/36

referred to as IAS) in the Internal Audit reports.

The Chairperson further stated that since this meeting is the first for the newly appointed JAPAC members, it is expected that the meeting will be long, and therefore, a break will be taken around 11:00 to refresh.

The MM stated that he has a meeting scheduled for 12:00 and asked if he could be excused just before 12:00 to attend that meeting.

The Chairperson responded that the JAPAC will not finish by 12:00, but hopefully the committee will have dealt with most of the matters on the agenda by then, and therefore the MM will be excused.

5. NOTING OF PREVIOUS MINUTES

28 APRIL 2022: ORDINARY JAPAC MEETING

The Chairperson stated that the JAPAC cannot approve the minutes of the JAPAC meeting held on 28 April 2022 but will note the minutes.

The Chairperson also pointed out that the JAPAC minutes of 28 April 2022 make mention of the Special Investigating Unit (*hereafter referred to as SIU*) investigation into the municipality, whose report was due on 30 June 2022, and requested the MM to provide a brief progress report on that matter.

The MM stated that the SIU did not finalise the report by 30 June 2022 as initially planned, as the SIU subsequently requested an extension until 31 October 2022 for the finalisation of the report. Two days before the end of October, the SIU contacted the MM and stated that they will not be able to finalise the report by 31 October 2022 as they were still waiting for information from the Department of Human Settlement (*hereafter referred to as DoHS*). The MM stated that he is not certain as to when the SIU will finalise the report, as that will heavily depend on them getting the information they need from the DHS.

The Chairperson noted the remarks from the MM and further pointed out that the minutes of 28 April 2022 make mention of the resolution by the previous JAPAC to add the lifestyle audit on the Overstrand Municipality officials as an item in the agenda of the JAPAC meeting and requested feedback from the MM about that matter, as this matter is not part of the agenda of the current JAPAC meeting.

The MM responded that the request for the lifestyle audit was a request by the MM and the Executive Mayor on the Top Management Team (*hereafter referred to as TMT*) and Council for the purposes of transparency and not because there was any incident that triggered the audit. Upon consultation with other municipalities, the Overstrand Municipality was advised that there should be an incident that triggers the lifestyle audit to be performed, e.g., officials living lifestyle beyond their means. Considering the fact that there is no such an incident in the Overstrand Municipality, the municipality therefore decided not to proceed with the lifestyle audit.

The Chairperson stated that he knows that the provincial government had a service provider which performed a lifestyle audit on all the Ministers, Head of Departments, CFOs, and other Top Management staff as a matter of governance, not because anything triggered the lifestyle audit.

Action 01 of 10 November 2022

The JAPAC requested to get clarity from the Executive Mayor on the reason(s) why the lifestyle audit is not an item on the JAPAC agenda anymore.

The Chairperson proposed that the following action items from the JAPAC meeting of 28 April 2022 be closed:

Action item 02 of 28 April 2022

The JAPAC stated that the secretariat should ensure that the JAPAC gets the high-level report on the movement of risks and that all other information on Risk Management is in support of



such report.

Action item 03 of 28 April 2022

The JAPAC requested that an implementation plan with regard to addressing Combined Assurance issues identified in the IAS report, with clear objectives and timeline, be drafted and submitted to the JAPAC in the next ordinary JAPAC meeting for monitoring purposes by the JAPAC.

RESOLVED

The JAPAC takes note of the minutes of the JAPAC meeting held on 28 April 2022.

6. MATTERS OF MANAGEMENT INVOLVEMENT

6.1. RISK MANAGEMENT

6.1.1. HIGH RISK REGISTER

High Risk Register as at 05 July 2022

The JAPAC resolved to not discuss the High Risk Register as at 05 July 2022, but to discuss the High Risk Register as at 05 October 2022, as the latter contains more recent and relevant information as compared to the 05 July 2022 register.

RESOLVED

The JAPAC takes note of the High Risk Register as at 05 July 2022.

High Risk Register as at 05 October 2022

The Chairperson stated that the Chief Risk Officer (*hereafter referred to as CRO*) does not have to go through all the risks listed in the High Risk Register as that is the job of the Fraud and Risk Management Committee (*hereafter referred to as FARMCO*) in the FARMCO meetings, the CRO should just provide JAPAC with a background on the methodology behind the identification of risks, the compilation of the risk registers, and the calculation of risk ratings (i.e., inherent and residual risk ratings).

The CRO responded that the Risk Management Unit (*hereafter referred to as RMU*) uses a template from National Treasury (*hereafter referred to as NT*) to calculate risk ratings. The CRO further stated that the Risk Appetite of the municipality is 40. Therefore, any risk with a residual rating of 40 and above is regarded as a high risk.

The JAPAC enquired of the CRO the meaning behind the "Perceived Control Effectiveness Rating" column in the High-Risk Register, i.e., what do the ratings in this column mean about the effectiveness of the controls in place for a particular risk?

The CRO responded that a Perceived Control Effectiveness Rating of 0.5, as this is the case in the High-Risk Register, means that the controls are perceived to be moderately effective to mitigate the chances of the risk materialising, i.e., the chances of the risk materialising are 50%, and the chances of the risk not materialising are 50%. The CRO further explained that if the Perceived Control Effectiveness Rating is above 0.5 (i.e., 0.75 or 75%), the controls in place to mitigate the chances of the risk materialising are perceived to be effective, whereas if the Perceived Control Effectiveness Rating is below 0.5 (i.e., 0.25 or 25%), the controls in place to mitigate the chances of the risk materialising are perceived to be ineffective. The CRO acknowledged the fact that this explanation is not included in the legend on the High-Risk Register, and that she will consider including this explanation in the register for future purposes.

The JAPAC commented that they understand the "spreadsheet", but Risk Management is not just a paperwork exercise, it is what is in the "minds and hearts" of the management to know whether the risk(s) in their respective Directorates/ Departments are effectively addressed, that matters. The



18/36

JAPAC also pointed out that there is an Internal Audit report on Risk Management tabled in this meeting, which does not look good. From the audit perspective, the JAPAC is here to assist the municipality to elevate the risk function of the municipality.

The MM concurred with the JAPAC that a lot of work needs to be done about the risk management of the municipality. The MM further stated that the process should begin with the correct identification of a risk, as he has noticed that some of the risks in the risk register are not real risks but operational issues which are used (included in the risk registers) to motivate for budget/ funding. The MM acknowledged the fact that risk management in the municipality is a work-in-progress.

The JAPAC stated that the municipality must identify all risks that are a real threat to the objectives of the municipality and decide between:

- 1) Accepting the risks and living with them,
- 2) Addressing the risks with available budget, or
- 3) Have a plan in place to address the risks.

The JAPAC further stressed that Council must make the above decisions, not the officials.

RESOLVED

The JAPAC takes note of the High Risk Register as at 05 October 2022 as is. Recommendations on the way forward regarding risk management will be made at the end of the Risk Management section of the agenda.

6.1.2. STRATEGIC AND EMERGING RISK REGISTER FOR 2022/2023

The CRO gave an overview of the Strategic and Emerging Risk Register for the 2022/2023 financial year, stating that this document contains all the identified strategic risks of the municipality for the 2022/2023 financial year, including those in the High-Risk Register, as well as the emerging risks identified by the AGSA in the management report.

The JAPAC stated that the Strategic Risk Register summarises everything nicely and that in the future, the JAPAC would like to have and discuss the Strategic Risk Register in more detail and have the High-Risk Register as an annexure thereto.

The CRO noted the remarks from the JAPAC and stated that this register is also distributed to the management, the MM, and the Directors on a monthly and quarterly basis for them to indicate any changes/ movements on the risks under their respective Directorates/ Departments. The CRO further stated that she, as the CRO, is dependent on the responses/ information provided by the Risk Owners to update the register; if the CRO does not receive any responses from the Risk Owners, the register remains the same (*i.e.*, no change(s) or movement(s) on the risk(s) is indicated on the register).

The JAPAC enquired whether the CRO does anything else other than distributing the register (*i.e.*, engaging with the Risk Owners face-to-face and/ or escalating the matter to the next-level management in instances where no response is received).

The CRO responded that in the email that they send when distributing the register, they indicate that Risk Owners must provide update(s) on the movement of risk(s) to the RMU for the RMU to be able to update the register accordingly. Furthermore, the RMU sends monthly update reports to the Risk Owners to provide update information on risks under their respective Directorates/ Departments and relies on that information to update the register. Other than that, the RMU does not do anything else.

The JAPAC stated that they understand the RMU's reliance on the feedback provided by the Risk Owners. However, the Risk Owners (management) get and deal with a lot of emails in a single day, therefore it can be easy to overlook or just "acknowledge the receipt of the email" from the RMU and not do anything about it. The JAPAC therefore made the following strong recommendations to the CRO:

- That Risk Management is a more "face-to-face" discipline than just paperwork. Therefore, the



CRO should have more "face-to-face" engagements with the Risk Owners in so far as movement(s) on the risks are concerned.

- That CRO should enforce the concept that there must be feedback received from the Risk Owners regarding movement(s) on the risks. If no change(s)/ movement(s) have occurred on the risks, the Risk Owners must confirm that there were no changes on the risks under their respective Directorates/ Departments, to promote accountability on the part of the Risk Owners.
- That at least once a quarter, the CRO should make appointments with all the Directors and discuss face-to-face and in detail, the risks listed in the risk register, to get risk management closer to where it should be.
- If there is still no response from, or responsibility taken by the Risk Owners regarding that, the CRO should escalate the matter to the Chairperson of FARMCO. If there is still hesitancy on the part of the Risk Owners to take responsibility despite these efforts, the Chairperson of FARMCO should escalate the matter to the MM, who is responsible for Risk Management in the municipality.
- That at least once a quarter, Risk Management should feature in every Top Management's agenda, including the Executive Council and Mayoral Committee (*hereafter referred to as MAYCO*) agendas, as that will elevate it to the level where something can be done about it.

The MM responded that he, as the Chairperson of the TMT, he has Risk Management as a standing item on the TMT agenda. Furthermore, the risk register does go to the Executive Mayor, but is not necessarily a standing item on the MAYCO agenda.

RESOLVED

The JAPAC takes note of the Strategic and Emerging Risk Register for the 2022/2023 financial year.

6.1.3. COMBINED ASSURANCE STATUS REPOR FOR QUARTER 1 2022/2023

The CRO gave an overview of the Combined Assurance status report for quarter 1 *re* 2022/2023 financial year, indicating that she implemented Internal Audit recommendations in her reporting with regards to Combined Assurance.

The Chairperson of FARMCO added that in instances where update information on the movement of risks, or on the additional actions taken to address the risks, is not updated on the Combined Assurance model, the Chairperson of FARMCO raised questions regarding those at the FARMCO meetings, and those get corrected as soon as possible.

The JAPAC made remarks that this is one of the better Combined Assurance Models that they have seen. The JAPAC further commented that the Combined Assurance Model needs to be actively managed and monitored, as it is one of the documents which the JAPAC looks at when assessing and/ or approving the Risk Based Internal Audit Plan (*hereafter referred to as RBIAP*), given the fact that it contains information of how much assurance is given to each risk, *i.e.*, inadequate assurance provided to a particular risk increases chances of that risk being considered for inclusion in the RBIAP.

RESOLVED

The JAPAC takes note of the Combined Assurance Status Report for quarter 1 *re* 2022/2023 financial year. The JAPAC further stressed that the Combined Assurance Model, together with action items emanating from it, must be approved, and not noted, by the FARMCO, the MM, as well as the MAYCO.

6.1.4. FARMCO MINUTES

FARMCO meeting held on 30 June 2022

The JAPAC resolved to not discuss the minutes of the FARMCO meeting held on 30 June 2022, but to discuss the minutes of the FARMCO meeting held on 05 August 2022, as the latter contains



20/36

more recent and relevant information as compared to the 30 June 2022 minutes.

RESOLVED

The JAPAC takes note of the minutes of the FARMCO meeting held on 30 June 2022.

FARMCO meeting held on 05 August 2022

The JAPAC enquired from the Chairperson of FARMCO when the last meeting of FARMCO was held and requested a brief verbal summary of what deliberations were made in that meeting.

The Chairperson of FARMCO responded that the last meeting of FARMCO, of which the minutes have not been included in this agenda as it (the minutes) has not been approved yet, was held in October 2022. The following matters, inter alia, were discussed in that meeting:

- The Internal Audit report on Risk Management Process, and the related findings.
- The review of policies, prior to the workshop.
- The FARMCO Terms of Reference (hereafter referred to as ToR).

The JAPAC noted the response from the Chairperson of FARMCO and further enquired whether the FARMCO, out of its Charter, has a specific focus on the oversight of IT risk(s), as this item is not evident on the FARMCO minutes of 05 August 2022.

The Director: Management Services responded that IT risk(s) is not an item on the FARMCO agenda, but is a standing item on the agenda of the ICT Steering Committee (*hereafter referred to as ICT Steercom*), which is chaired by the MM.

The JAPAC made the following strong recommendations to the Chairperson of FARMCO:

- That the Risk Management part of the ICT Steercom (IT risks) be a standing item on the agenda of FARMCO, and through to the JAPAC. The JAPAC made reference to a recent IT incident at one of the municipalities where it was discovered that their computers are ageing and could not protect the municipality from both internal and external attacks, which then became one of the highest risks for that municipality. The way in which the risk can be addressed is through going to the Risk Management Committee, the Audit Committee, and the MAYCO, as the Council has the ultimate responsibility to approve the budget for the replacement of the computers and other damaged/ ageing infrastructure.
- That project risks should also be a standing item on the agenda of the FARMCO.
- That the appointment of an independent Chairperson of the FARMCO be considered, and this should also be in the FARMCO's ToR.
- That the JAPAC should have a permanent invitee in the meetings of FARMCO, which should also be documented in the FARMCO's ToR. This is necessary to create a natural link between the FARMCO and the JAPAC. The JAPAC resolved that Mr T Blok will be the representative of the JAPAC in FARMCO meetings and will have a standing invitation as invitee and not as a member.

RESOLVED

The JAPAC resolved, in addition to the above recommendations, that ICT Steercom risk registers be incorporated in the Risk Management Processes of the FARMCO, which in turn will result in IT risks filtering through to the JAPAC. The JAPAC takes note of the minutes of FARMCO meeting held on 05 August 2022.

6.1.5. REPORT ON RISK MANAGEMENT ACTIVITIES AND IMPLEMENTATION PLAN

Quarter 4 re 2021/2022

The JAPAC resolved to not focus on the Risk Management Activities and Implementation Plan for Quarter 4 re 2021/2022 financial year, as this report contains older and less relevant information as compared to the Risk Management Activities and Implementation Plan for Quarter 1 re 2022/2023 financial year.



21/36

RESOLVED

The JAPAC takes note of the report on Risk Management Activities and Implementation Plan for Quarter 4 re 2021/2022 financial year.

Quarter 1 re 2022/2023

The CRO gave an overview of the Risk Management Activities and Implementation Plan for Quarter 1 re 2022/2023 financial year, indicating that the majority of work relating to Quarter 1 re 2022/2023 financial year is in progress, as the RMU is currently busy with policy reviews and with the distribution of risk action reports to the Risk Owners on a monthly basis to provide updates on the movement(s) of risks, if any.

The CRO concluded her overview by stating that overall, the RMU is in progress with tasks planned for Quarter 1 re 2022/2023 financial year.

Action 02 of 10 November 2022

The JAPAC stated that the review of the Risk Management Policy should be completed by end of March 2023

The Chairperson of FARMCO responded that the review of the Risk Management Policy will be finalised after the last workshop has taken place, which is expected before the end of November 2022.

RESOLVED

The JAPAC takes note of the report on Risk Management Activities and Implementation Plan for Quarter 1 re 2022/2023 financial year.

6.2. FINANCIAL MANAGEMENT AND CONTROLS

6.2.1. QUARTERLY BUDGET AND SDBIP REPORT

Quarterly Budget Report – Quarter 4 re 2021/2022

The JAPAC resolved to not discuss the Quarterly Budget Report for Quarter 4 re 2021/2022 financial year, but to discuss the Quarterly Budget Report for Quarter 1 re 2022/2023 financial year, as the latter contains more recent and relevant information as compared to the Quarter 4 re 2021/2022 report.

Quarterly SDBIP Report – Quarter 4 re 2021/2022

The JAPAC resolved to not discuss the Quarterly SDBIP Report for Quarter 4 re 2021/2022 financial year, but to discuss the Quarterly SDBIP Report for Quarter 1 re 2022/2023 financial year, as the latter contains more recent and relevant information as compared to the Quarter 4 re 2021/2022 report.

RESOLVED

The JAPAC takes note of the Quarterly Budget and SDBIP Report for Quarter 4 re 2021/2022 financial year.

Quarterly Budget Report – Quarter 1 re 2022/2023

The JAPAC requested the CFO to provide a high-level overview on the Quarter 1 Budget Report. The CFO gave an overview of the Quarterly Budget Report for Quarter 1 re 2022/2023 financial year. The CFO explained that the Russia and Ukraine war and what is happening with oil and fuel prices have impacted on the previous financial year and is also having an impact on the current year's budget. The CFO also explained that the continuous loadshedding by Eskom also impacts the budgeted income for the year, in addition to this the expenses for the current year have also been significantly impacted due to increased fuel usage and the price thereof that is continuously increasing. The JAPAC sought an explanation for the big difference between the Original Budget



22/36

and Year-To-Date "Cash" under current assets in the statement of Financial Position.

The CFO explained that the municipality spent less cash than expected as at 30 September 2022, hence the big difference between the Original Budget and Year-To-Date.

The JAPAC further enquired about the procedure or formula used by the municipality to provide for doubtful debts and the procedure to write-off bad debts.

The CFO responded that the municipality has an in-house debt collection team that issues summonses to the debtors when accounts are due.

The JAPAC made a comment regarding Indigent Grant, that Drakenstein Municipality and Cape Agulhas Municipality have amended their Indigent policy and amongst other changes that were made in these respective policies is that the Indigent beneficiaries now have to apply for indigent grant every year to be considered by the municipality for the indigent grant. This has seen the two municipalities experience a noticeable decrease in the number of indigent beneficiaries since these changes have been implemented.

The CFO responded that the municipality are still in the process of phasing out the old Indigent policy and replacing that with a revised and newly approved indigent policy, which is effective from 01 July 2022. The municipality started by sorting out the issue of municipal officials who used to benefit from the indigent grant, as it is important to "clean your own house first."

The JAPAC commented that the AGSA does raise a "material irregularity" when indigent grant is allowed to persons who are not indigent, and that could have an impact on the outcome of the AGSA audit report. Accordingly, the JAPAC advised the CFO that the municipality must get its processes in order to resolve the indigent issue as soon as possible so that if the AGSA picks it up, they can see that the municipality is doing, or has done, something to resolve it, which could have a favorable impact on the AGSA audit report.

Quarterly SDBIP Report – Quarter 1 re 2022/2023

The JAPAC requested the Director: Management Services to address the JAPAC on the Key Performance Indicators (*hereafter referred to as KPIs*) that were not met for Quarter 1 re 2022/2023 financial year.

The Director: Management Services indicated that there were 19 KPIs due in Quarter 1 re 2022/2023, of which 15 KPIs, which constitute 78.95%, were met; 3 KPIs, which constitute 15.79%, were almost met; and one KPI, which constitutes 5.26%, was not met. The 4 KPIs which were not met related to:

- Directorate: Economic & Social Development & Tourism – it was requested by the Directorate that the frequency of the target be amended from monthly to quarterly.
- Directorate: Protection Services – an actual amount of R4 139 618.00 of the projected amount of R5 000 000.00 in Public Safety Income was collected by the Directorate.
- Directorate: Infrastructure & Planning – quality of portable water complied 96% with SANS 241, as opposed to a target of 98%, due to maintenance at Buffelsriver Water Treatment Plant.
- Directorate: Management Services – The Directorate has an actual number of 70 people from the employment target groups employed in the three highest levels of management in compliance with a municipality's approved equity plan, as opposed to their target of 75.

The JAPAC noted the explanations from the Director: Management Services and requested that when documents are distributed to the JAPAC in preparation for the JAPAC meeting, the documents must not be scanned in as Black-and White as that makes it difficult to understand colour-coded documents.

The MM asked to leave the meeting after the deliberation of the Quarterly Budget and SDBIP Report for Quarter 1 re 2022/2023 to attend another meeting of 12h00. The JAPAC allowed the MM to leave the meeting and thanked the MM for availing himself for this meeting, stating that today is an exception.

RESOLVED



The JAPAC takes note of the Quarterly Budget Report and SDBIP Report for Quarter 1 re 2022/2023 financial year.

6.2.2. Debt Collection Report as at 30 September 2022

The JAPAC commented that the JAPAC does not need as much detail as reported in the Debt Collection Report as at 30 September 2022, as that would be for the interest of the finance committee.

RESOLVED

The JAPAC takes note of the Debt Collection Report as at 30 September 2022.

6.2.3. Report on Debt Collection Process – 30 September 2022

The JAPAC commended the CFO for including the Top 10 outstanding accounts in the report on Debt Collection Process, stating that it gives them a good overview of what the municipality is busy with in so far as Debt Collection is concerned. The JAPAC also stated that they are not interested in very detailed information, as that would be for the interest of the internal finance committee.

The JAPAC further enquired whether the municipality is in line with the collection of monies owed to the municipality by the reported Top 10 debtors?

The CFO responded that indeed the Top 10 debtors are under good control and monitoring by the municipality.

RESOLVED

The JAPAC takes note of the report on Debt Collection Process – 30 September 2022.

6.2.4. CREDITORS REPORT AS AT 30 SEPTEMBER 2022

The JAPAC commented that they prefer that the CFO presents to the JAPAC only the top creditors of the municipality and not as much detailed information as reported in the Creditors Report as at 30 September 2022.

The JAPAC further enquired about the amounts of money paid by the municipality in respect of Baboon management.

The CFO responded that the municipality has been given the responsibility (mandate) for the Baboon Management Program, but the funding has not been received yet.

Action 03 of 10 November 2022

The JAPAC resolved to raise a concern over unfunded mandate for Baboon Management to the Executive Mayor.

RESOLVED

The JAPAC takes note of the Creditors Report as at 30 September 2022.

6.2.5. OVERSTRAND MUNICIPALITY: PROJECT AMNESTY REPORT: INDIGENT HOUSEHOLDS

The JAPAC enquired from the CFO the reasons why this report is on the agenda of the JAPAC meeting.

The CFO responded that this report was an outstanding item in the action register of the previous JAPAC, as the CFO was asked by the previous JAPAC to provide continuous update on the status and statistics regarding persons who ineligibly received Indigent Grant. The CFO further stated that the newly approved Indigent Policy has been implemented and operationalised.

The JAPAC noted the response from the CFO and stated that going forward, that item must be removed the agenda of the JAPAC.

RESOLVED



24/
136

The JAPAC takes note of the report on Project Amnesty.

6.2.6. AUDIT ACTION PLAN AS AT 12 OCTOBER 2022

The JAPAC stated that they note that most of the items in the Audit Action Plan (*hereafter referred to as AAP*) are completed or in progress. The JAPAC further enquired from the CFO whether the municipality is in line with the implementation of the actions listed in the AAP, and whether there is anything that the JAPAC should be worried about in so far as the AAP is concerned.

The CFO responded that she is not aware of anything that the JAPAC should be concerned about. The CFO further stated that the AAP will be updated once the AGSA's Management Report is issued, as the information in the current AAP relates to last year's AGSA's Management Report.

The JAPAC enquired the reasons why there are still outstanding actions on the AAP which contains information from last year's AGSA's Management Report.

The CFO responded that with regard to the first action item on the AAP, there are manual controls in place which address the AGSA findings/ recommendations. However, the CFO does not foresee that the municipality will move over to the web environment with the system in the next 12 to 18 months. The reason the item is kept in the AAP is because the conclusion to that item would be the municipality moving over to the web environment.

The JAPAC noted the response from the CFO and commented that going forward, the old items which are carried over from the previous financial years should be indicated as such in the AAP for the JAPAC to differentiate between old items and new items.

RESOLVED

The JAPAC takes note of the Audit Action Plan as at 12 October 2022.

6.3. INTERNAL AUDIT REPORTS

Quarter 4 (2021/2022) Internal Audit Reports for noting by JAPAC

6.3.1. Theft and Vandalism to municipal assets/ infrastructure

The Chief Audit Executive (*hereafter referred to as CAE*) gave an overview of the summary observations on the Consulting engagement *re Theft and Vandalism to municipal assets/ infrastructure*, indicating that pursuant to management request, IAS performed a consulting engagement and included a pictorial presentation of what was found in the Internal Audit Report. The CAE also alluded to the fact that management does implement some of the Internal Audit recommendations to the extent that is feasible for the municipality to do so.

The JAPAC enquired whether the municipality is performing the necessary scrapping work to deal with the vandalised assets/ infrastructure safely and appropriately.

The Director: Community Services responded that the municipality is doing its utmost in that regard, as scrap dealers around are contacted frequently to assist in the necessary work of scrapping. The Director: Community Services added that what makes it even more difficult to address *theft and vandalism of assets/ infrastructure* is that stolen/ damaged items get replaced, only to be stolen and sold again. The Director: Community Services stated that he thinks that the current economic climate might be driving these criminal activities.

The CAE commented that from the audit perspective, the CAE attests to the efforts made by management to address *theft and vandalism of assets/ infrastructure* and the effects thereof. Unfortunately, *theft and vandalism of infrastructure* is one of the countrywide challenges that are not easy to address.

The JAPAC noted the responses from both the CAE and the Director: Community Services. The JAPAC stated that management must not just note the Internal Audit reports and the contents thereof but must accept these. If management does not accept any or some of the contents of the report, these must be mentioned in the report. The JAPAC stressed that a consulting engagement must have terms of reference which detail the reason(s) for the consulting engagement, together



with the expected outcome(s) of the consulting engagement; if there is not clear rationale behind the request for Internal Audit Services to perform a consulting engagement, the CAE should not accept the request to perform a consulting engagement.

The CAE noted the remarks from the JAPAC.

6.3.2. Evaluating Risk Management Process

The JAPAC acknowledged the fact that this report has a lot of findings, however, the JAPAC has spent a lot of time on Risk Management already in this meeting. The JAPAC resolved to note this report as is and allow for the recommendations made earlier in the meeting regarding Risk Management process, which include the appointment of an independent FARMCO Chairperson and a standing invitation of a JAPAC member to FARMCO meetings, to take place as agreed upon.

The JAPAC enquired from the CAE whether the audit on Risk Management Process had questions such as "is Risk Management functioning?", as well as interviews with the individuals who are the role players in the Risk Management Process.

The CAE responded that those engagements do take place and some of the role players in the Risk Management Process do feel that there is no adequate engagement(s) in the Risk Management Process.

Action 04 of 10 November 2022

The JAPAC requested that progress on the implementation of the JAPAC and Internal Audit recommendations *re* Risk Management Process be reported quarterly to the JAPAC.

6.3.3. Division of Revenue Act 2021 (DoRA)

The JAPAC expressed their concern over the Internal Audit opinion on the report, which states that Governance, Risk Management and Controls Processes are all inadequate, inappropriate, and ineffective, and asked the CAE to address them in that regard.

The CAE gave an overview of the findings identified by IAS, explaining that these are rated either "Significant" or "Critical" due to the business risk/ impact that they pose to the municipality, alluding to the R2 million which was stopped by the NT because of underspending and under commitment on MIG funds.

Action 05 of 10 November 2022

The JAPAC recommended that IAS performs a follow-up audit on the implementation of IAS recommendations on the findings identified during the audit of Division of Revenue Act 2021 during March/ April 2023.

The CAE noted the remarks from the JAPAC.

6.3.4. Combined Assurance Bi-Annual review 2

The JAPAC noted that there were no findings to discuss on the Internal Audit report *re* Combined Assurance Bi-Annual review 2.

The JAPAC noted the Internal Audit report *re* Combined Assurance Bi-Annual review 2 for the 2021/2022 financial year.

RESOLVED

The JAPAC takes note of the Internal Audit reports for Quarter 4 *re* 2021/2022 financial year and agrees with the Internal Audit recommendations in the respective reports.

Quarter 1 (2022/2023) Internal Audit Reports for consideration by JAPAC

6.3.5. Key Controls Assessment Bi-Annual review 1

The CAE gave an overview of the report *re* Key Controls Assessment Bi-Annual Review 1, indicating that out of the five matters which were selected by IAS for follow-up, IAS identified three



matters to be still outstanding (*i.e.*, unresolved) and two were identified by IAS to be resolved. The CAE also mentioned that the three unresolved matters relate to Information Communication Technology (*hereafter referred to as ICT*), which falls under the Directorate: Management Services.

The Director: Management Services stated that to address the unresolved matters identified by IAS, she requested the Manager: System Development to come and sit in the meeting for the purposes of giving feedback and clarity on the unresolved matters to the JAPAC.

The JAPAC enquired whether the Manager: System Development agrees or disagrees with the identified unresolved matters as per the Internal Audit report.

The Manager: System Development responded that in his perspective, the matters are resolved; whereas in the perspective of the AGSA, the matters are unresolved, hence IAS still identifies these as unresolved. The Manager: System Development went on to explain that data categorisation is not a straightforward process, it is a lengthy process that includes all departments and outside parties such as Microsoft, which the municipality is already busy with, and the municipality can only fully categorise data after consultation with relevant parties such as Microsoft. However, policies and procedures have been updated and interested parties/ persons have been informed of those, including data handling and confidentiality.

The JAPAC stated that when management does not agree with an AGSA finding, that should be indicated as such in the AGSA Management Report and should never be accepted by management as a finding or an unresolved matter in the first place. If management has applied its mind to resolve a particular matter, that should be explained as such to the AGSA without using technical language. The JAPAC further stated that if the policies and procedures are updated and explained to interested parties the finding can be considered as resolved, since data categorisation and definition is a lengthy process and will take a while to be completed.

Action 06 of 10 November 2022

The JAPAC recommended that this finding be updated and/ or noted in the Audit Findings Tracking Register as "resolved".

The CAE noted the remarks from the JAPAC.

6.3.6. Predetermined Objectives – Quarter 4 re 2021/2022

The JAPAC stated that this report will not be discussed in detail as it relates to Quarter 4 re 2021/2022 financial year. The JAPAC takes note of the Internal Audit Report re Predetermined Objectives – Quarter 4 re 2021/2022.

6.3.7. Predetermined Objectives – Quarter 1 re 2022/2023

The JAPAC noted that no findings to discuss in the Internal Audit Report re Predetermined Objectives Quarter 1 re 2022/2023 financial year.

RESOLVED

The JAPAC takes note of the Internal Audit Reports for Quarter 1 re 2022/2023 financial year.

6.4. AUDIT FINDINGS TRACKING REGISTER

The CAE gave an overview of the Audit Findings Tracking Register (*hereafter referred to as the Tracking Register*), highlighting that the purpose of the Tracking Register is to track which findings, as identified by IAS in Internal Audit Reports, have been resolved and which findings are not resolved yet. The CAE further stated that this document is also used as a tool to schedule and track which findings have been followed-up on by IAS.



Action 07 of 10 November 2022

The JAPAC noted the overview given by the CAE and recommended that the register contain names of officials responsible for the implementation of the agreed actions to resolve findings identified by IAS. The JAPAC further requested that the register be updated to reflect the date in which the register was compiled, the period covered by the register, colour coding on the status of the findings, and the true status of the audit findings listed in the register and circulate the updated Tracking Register on a round robin to the JAPAC.

The CAE noted the remarks from the JAPAC.

RESOLVED

The JAPAC takes note of the Audit Findings Tracking Register as is. The Audit Findings Tracking Register should be updated and circulated to the JAPAC.

7. INTERNAL AUDIT AND JAPAC MATTERS

7.1. INTERNAL AUDIT MATTERS

7.1.1. 2022/2023 Risk-Based Internal Audit Plan (for approval)

The CAE stated that there is an additional 460 hours allocated to Ad-hoc requests in the RBIAP.

Action 08 of 10 November 2022

The JAPAC requested the CAE to note that change in the RBIAP as such, and to also note the fact that a follow-up audit on Division of Revenue Act will be performed in March/ April 2023.

The CAE noted the recommended changes to the RBIAP as such.

RESOLVED

The JAPAC approved the RBIAP for the 2022/2023 financial year as is, with some changes already recommended on the RBIAP. The RBIAP will be monitored by the JAPAC as the year progresses, and any recommended amendments to the RBIAP will be communicated to the CAE accordingly.

7.1.2. CAE Status Report – Quarter 1 2022/2023

The Chief Audit Executive (CAE) gave an overview of his status report for Quarter 1 *re* 2022/2023 financial year, indicating to the JAPAC that in terms of staffing, IAS operates with a CAE and an internal auditor *i.e.*, Mr E Essop. IAS is also assisted by two interns whose contracts will expire by end of April 2023. The two interns are enrolled under the Internal Audit Technician (IAT) programme for a period of 24 months for the purposes of capacitating them, putting them in a better position to competitively apply for the vacant 2 Internal Auditor posts once these are advertised by the municipality.

The JAPAC enquired whether these posts are provided for in the organogram of the municipality.

The CAE responded that these positions are indeed provided for in the municipality's organogram. The CAE continued to give an overview of the Status Report, indicating that in terms of staff development and training, he attended a CAE forum on 20 September 2022 and Mr E Essop attended the Risk Management Masterclass training on 08 and 09 September 2022.

The CAE further stated that in Quarter 1 *re* 2022/2023, there were no impairments of IAS independence and objectivity and no scope limitations encountered during the performance of the audit projects.

Action 09 of 10 November 2022

The JAPAC requested that the Internal Audit Charter and JAPAC Charter be included in the agenda for the next JAPAC meeting for review and approval by the JAPAC. The JAPAC further stated that as part of their reporting requirements, and as part of the Quarterly Report to MPAC, the Audit Findings Tracking Register must be submitted to the MPAC for compliance purposes.

The CAE noted the remarks from the JAPAC.



29/
136

RESOLVED

The JAPAC takes note of the CAE Status Report for Quarter 1 re 2022/22023 financial year.

8. GENERAL

Update on the progress of AGSA year-end financial statements audit

The JAPAC enquired from the CFO whether the AGSA has a date by which the AGSA's Management Report and the auditing of the financial statements will be finalised.

The CFO responded that there is a date set for an Audit Steering Committee meeting, in which the Management Report will be discussed, as well as the dates by which everything will be finalised.

The JAPAC stated that they do not need to sit in the Audit Steering Committee meeting with management, they need the AGSA to give them feedback on the Audited Financial Statements and Management Report after the AGSA has agreed with management on the findings, if any. The JAPAC further stated that a virtual meeting with the AGSA will suffice if the Audit Report is a clean report. The JAPAC identified/ proposed the 28th of November 2022 as the date of the meeting with the AGSA where the AGSA will be giving feedback to the JAPAC on the Audit Report.

POPIA readiness

The JAPAC enquired whether the municipality is compliant with POPIA.

The Director: Management Services responded that the municipality is not fully POPIA compliant. However, the municipality has several officials who have attended training sessions which were presented by the South African Local Government Association (SALGA) in so far as POPIA is concerned, as well as internal workshops, to get the municipality closer and closer to being fully POPIA compliant.

Action 10 of 10 November 2022

The JAPAC commented that this process poses a typical project risk. The JAPAC requested that it be given a date by which the implementation of POPIA compliance will be done by the municipality to be able to schedule for IAS to perform an audit on that, to assist identify any shortcomings if any, and to provide recommendation(s) where applicable.

AGSA Audit Fees

The JAPAC mentioned that they were invited to and attended the AGSA Audit Steering Committee meeting in which the Audit Strategy was discussed, and in which the Executive Mayor and the MM were present. The JAPAC was presented by the Chairperson, Mr PAL Strauss, and Mr DH Smith, as Mr T Blok was not in the country at the time, and Mr CCC Pieterse was experiencing IT problems occasioned by loadshedding.

The JAPAC further stated that going forward, they would like to have a separate engagement with the AGSA where the AGSA presents the Audit Strategy to the JAPAC for the JAPAC to make recommendations to the municipality on whether they approve or do not approve the Audit Strategy and audit fees. The JAPAC is very adamant that they would not approve the audit fees presented in the AGSA Audit Strategy, as there was no clear rationale for the AGSA to increase fees by 11.9% from the previous financial year, despite having approved the Audit Strategy and minuted same as such. The JAPAC made the following points which supports their decision not to approve the increase in AGSA audit fees:

- The municipality obtained a "clean audit" in the previous financial year, therefore no clear reason to increase audit hours and fees by 11.9%.
- No significant changes took place since the previous financial year on the structure/ complexity of the operations of the municipality.

The JAPAC stated that however, the ultimate responsibility to approve or not approve the audit fees charged by the AGSA lies with the Accounting Officer, the JAPAC can only make recommendations to the MM not to approve these fees, with supporting reasons.



Joint Audit & Performance Audit Committee Meeting
Minutes of the Meeting: 10 November 2022

9. NEXT MEETING

The JAPAC resolved that the next JAPAC meeting be held on 01 February 2023 at 09:30.

10. CLOSING

The meeting closed at 13:43


PAL STRAUSS
CHAIRPERSON

1/2/2023
DATE



ATTENDANCE REGISTER



**ATTENDANCE REGISTER OF THE JOINT AUDIT AND PERFORMANCE
AUDIT COMMITTEE (JAPAC) MEETING HELD ON THURSDAY, 10
NOVEMBER 2022 AT 09:30 IN THE INTERNAL AUDIT SERVICES
BOARDROOM, HERMANUS**

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.

JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE MEMBERS

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
P A L Strauss	Chairperson JAPAC		N	N
T Blok	Member		N	N
D H Smith	Member		N	N
C C C Pieterse	Member		N	N

INTERNAL AUDIT SERVICES

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
D Van Der Heever	Chief Audit Executive (CAE)		N	N
E Essop	Internal Auditor		N	N
N Tsholoba	Intern: Internal Audit		N	N
S Makwetu	Intern: Internal Audit		N	N



ATTENDANCE BY INVITATION

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
D O'Neill	Municipal Manager	<i>[Signature]</i>	No	No
S Reyneke-Naude	Director: Finance (CFO)	<i>[Signature]</i>	N	N
D Arrison	Director: Management Services	<i>[Signature]</i>	N	N
R Louw	Senior Manager: Strategic Services	<i>[Signature]</i>	N	N
Z Mazuthu	Chief Risk Officer	<i>[Signature]</i>	N	N
R Williams	Director: Community Services	<i>[Signature]</i>	N	N
N Michaels	Director: Protection Services	<i>[Signature]</i>	✓	✓
S Madikane	Director: Economic & Social Development & Tourism			
S Müller	Director: Infrastructure & Planning			
V Silolo	Intern: Risk Management Unit			



**MEETING OF THE JOINT AUDIT AND PERFORMANCE
AUDIT COMMITTEE WITH THE AUDITOR-GENERAL OF
SOUTH AFRICA (AGSA)**

**VERGADERING VAN DIE GESAMENTLIKE PRESTASIE
OUDIT EN OUDIT KOMITEE MET DIE AUDITOR-GENERAL
OF SOUTH AFRICA (AGSA)**

MINUTES / NOTULE

DATE / DATUM: 28 NOVEMBER 2022
(MONDAY/ MAANDAG)

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

TIME / TYD: 15:30 HRS/UUR



MINUTES OF THE MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC) WITH THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA) HELD VIRTUALLY (via MICROSOFT TEAMS) ON MONDAY, 28TH OF NOVEMBER 2022 AT 15:30

1. OPENING AND WELCOMING BY THE CHAIRPERSON

The Chairperson, Mr PAL Strauss, welcomed everyone present to the special JAPAC meeting in respect of the 2022/2023 financial year.

2. APPLICATION(S) FOR LEAVE OF ABSENCE

Apologies were received from the following person(s):

1. Mr L Mehlomakhulu (from AGSA) could not join the meeting on time due to an urgent meeting that he had to attend just before the JAPAC meeting. Mr L Mehlomakhulu joined the meeting later.

Persons present - see the attached attendance register.

3. DECLARATION OF INTERESTS

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

4. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON

The Chairperson stated that he does not have any statements and communications to share in this meeting.

5. PURPOSE OF THE MEETING

The Chairperson explained that the purpose of the meeting is to:

- Discuss the 2021/2022 audit at Overstrand Municipality.
- Discuss any matters which the AGSA would like to bring to the attention of the JAPAC for noting and/ or intervention.
- Discuss the audit fee (breakdown and/ or any savings)

5.1. 2021/2022 AUDIT (OUTCOME) FOR OVERSTRAND MUNICIPALITY

The Chairperson asked Ms N Mlobeli (from the AGSA) to give a high-level summary of the Management Report of the Overstrand Municipality for the 2021/2022 financial year

Ms N Mlobeli presented the Draft Management Report (*hereafter referred to as DMR*) for the 2021/2022 financial year, indicating that the AGSA is in the process of finalising the Management Report, with the final Management Report due to be issued the following day (*i.e.*, 29 November 2022).

Ms N Mlobeli stated that the outcome of the audit at the time of the meeting was an unqualified opinion with no findings, as the AGSA was still in the process of finalising the management report. Ms N Mlobeli highlighted that Senior management is "yellow"; while all other assurance providers are "green" in terms of the assessments made by the AGSA.

Ms N Mlobeli stated that the AGSA is in the process of creating a new audit approach ~~this year~~ called "the clean audit approach", where the AGSA has selected municipalities who maintained "clean audit status" for a certain number of years and seeks to determine how the "clean audit" translates to service delivery. Ms N Mlobeli went on to explain that for now, there are only two municipalities in the Western Cape that have been selected for this new approach. However, more municipalities will be selected going forward, and this new approach will eventually be fully implemented by the AGSA, with additional procedures to be performed in the process.

RESOLVED

The JAPAC takes note of the Draft Management Report by the Auditor-General of South Africa



34/36

for the year ended 30 June 2022.

5.2. MATTERS BROUGHT TO THE ATTENTION OF THE JAPAC BY THE AGSA

After the presentation of the DMR by the AGSA, the Chairperson enquired from the AGSA, given the fact that this DMR is not "an updated report", whether there are any issues/ matters that the AGSA would like to bring to the attention of the JAPAC.

Ms N Mlobeli responded that the COMAF relating to the SCM issue into which Internal Audit Services performed an investigation in the previous financial year, has now been resolved.

Ms N Mlobeli further stated that another matter, which is addressed now, is the matter concerning payment of indigent grants to deceased persons by the municipality.

The Chairperson enquired whether that would have an impact on the audit opinion.

Mr L Mehlomakhulu responded that currently the AGSA has three issues that are still unresolved, on which they are following-up with the municipality. Mr L Mehlomakhulu further noted that if these 3 matters end up being unresolved, their audit team will consider expanding the scope and consider testing the whole population as opposed to a sample, and if the results of the test(s) are unfavourable, that might have an impact on the materiality, which is likely to affect the audit opinion.

The Chairperson enquired whether the expansion of the scope will have an impact on the deadline of the audit report.

Mr L Mehlomakhulu responded that the AGSA meeting or not meeting the deadline will heavily depend on the municipality agreeing to the scope expansion by the AGSA or accepting that these three matters are unresolved and will, in all probability, have an impact on the materiality and audit opinion. If the municipality accepts the matters as they are, the AGSA will meet the deadline; whereas if the municipality agrees to the expansion of the scope, the AGSA will not meet the deadline, as additional work will be required to test the entire population.

The Chairperson enquired from the Chief Audit Executive (*hereafter referred to as CAE*) whether it is possible for the Chief Financial Officer (*hereafter referred to as CFO*) to brief the JAPAC on these matters after the meeting without the AGSA present in the meeting.

The CAE, after checking the availability of the CFO and the Deputy Director: Finance and SCM, confirmed that these officials are unable to join the JAPAC meeting as they were having a Directorate meeting at the same time as the JAPAC meeting.

The Chairperson noted the feedback from the CAE and opened the floor for questions to the AGSA.

Mr T Blok enquired why an IT related matter (as per paragraph 59 of the DMR) is part of the management report and not a housekeeping operational matter, as this matter does not constitute an internal control deficiency?

Mr L Mehlomakhulu requested the JAPAC to grant him an opportunity to follow-up on this matter with his financial systems audit team and revert to the JAPAC with a proper response before the Management Report is finalised. The JAPAC granted Mr L Mehlomakhulu the opportunity as requested.

Action 01 of 28 November 2022

Mr L Mehlomakhulu to follow-up with his financial systems audit team on the reason(s) why is the IT related matter, which in the opinion of the JAPAC, does not constitute an internal control deficiency, part of the management report and not an operational housekeeping matter.

The Chairperson enquired whether the AGSA has an idea of what the amount of R32 364 574 relating to consultancy fees, as per page 27, paragraph 82 of the DMR, was spent on.

Mr F Baulackey (from AGSA) stated that the amount relating to consultancy fees has been changed in the updated DMR and the updated figure is around R15 million. Mr F Baulackey then responded that this money was spent mostly on Laboratory and Engineering consultants.

The JAPAC noted the response from Mr F Baulackey and resolved to follow-up on the matter



35/
136

with the CFO. The JAPAC enquired whether there are any further matters the AGSA wishes to bring to the attention of the JAPAC.

Mr L Mehlomakhulu responded that there are no further matters, other than that the AGSA has reached a consensus with the municipality to perform an interim audit on the indigent Debtors to give the municipality information on the Indigent Debtors before the municipality finalises its annual performance report. This practice has already been started with other municipalities and has been flagged as an action item for the next financial year's audit of Overstrand Municipality.

The Chairperson requested the AGSA to observe and apply the principle of procedural fairness to the Overstrand Municipality thus affording the municipality reasonable time to gather and provide sufficient evidence in relation to the audit findings/ matters identified by the AGSA.

Mr L Mehlomakhulu responded that the AGSA applies the principle of procedural fairness, hence there is a possibility for the audit deadline being extended.

The JAPAC agreed not to object the extension of the audit deadline if it is the result of observing and applying the principle of procedural fairness.

RESOLVED

The JAPAC takes note of the matters brought to the attention of the JAPAC by the AGSA regarding the audit of Overstrand Municipality for the year ended 30 June 2022.

5.3. AGSA AUDIT FEE FOR THE YEAR ENDED 30 JUNE 2022

Mr F Baulackey gave an overview of the audit fee charged by the AGSA for the year ended 30 June 2022.

The JAPAC enquired about the substantial increase in audit fee from the previous financial year to the current financial year.

Mr F Baulackey responded that increase in travelling costs due to the AGSA audit team being on site more often during the current year's audit, and the increase in the number of trainees on site during the current year's audit are the main reasons for the increase in audit fees.

The JAPAC expressed its dissatisfaction with the reasons advanced above by the AGSA as a rationale for the increase in audit fee, stating that:

- 1) Travelling costs are not recoverable, the audit team should be travelling at their own time.
- 2) It was the decision of the AGSA to take an inefficient approach of having more trainees on site as opposed to utilising available technology, thereby reducing costs and improving efficiency.
- 3) The AGSA's rate per hour on execution has increased by more than 10% albeit the AGSA having agreed upfront with the JAPAC for the rate increases to be kept at 6%.

The AGSA team noted of the JAPAC's dissatisfaction with the audit fee and proposed that the JAPAC affords them an opportunity to escalate the matter to their seniors/ executives to determine a way forward on the matter.

The JAPAC noted the response from the AGSA and further stated that the Executive Mayor is also not satisfied with the audit fees. The JAPAC will raise the matter to the CFO as well, who will take the matter up with the AGSA audit team going forward.

6. GENERAL

No matters were raised/ listed for discussion under general.

7. CLOSING

The meeting closed at 16:30




PAL STRAUSS
CHAIRPERSON

1/3/2023
DATE

MICROSOFT TEAMS ATTENDENCE LIAT

	A	B	C	D
1	Full Name	User Action	Timestamp	
2	Elrich Essop	Joined	22/11/28, 15:08:03	
3	Sandiso Makwetu	Joined	22/11/28, 15:12:12	
4	Sandiso Makwetu	Left	22/11/28, 15:13:56	
5	chessy (Guest)	Joined	22/11/28, 15:17:50	
6	Dominic Van Der Heever	Joined	22/11/28, 15:20:18	
7	Nolusindiso Tsholoba	Joined	22/11/28, 15:26:13	
8	pieter.strauss (Guest)	Joined	22/11/28, 15:27:41	
9	Ncebakazi Mlobeli	Joined	22/11/28, 15:30:04	
10	Blok, Tom	Joined	22/11/28, 15:30:36	
11	Farouk Baulackey	Joined	22/11/28, 15:31:00	
12	daniehsmith59 (Guest)	Joined	22/11/28, 15:31:27	
13	Mohamed Bahadur	Joined	22/11/28, 15:32:47	
14	Luthando Mehlokhulu (SM)	Joined	22/11/28, 15:43:30	
15				
16				
17				