

The Honourable Speaker

uThukela District

Municipality 33 Forbes

Street

Ladysmith

3370

## **REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE TO THE COUNCIL OF UTHUKELA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2024.**

The Audit and Performance Committee(APC) hereby submits this report to the Council of uThukela District Municipality for the financial year 2023/24.

This report is submitted in terms of the provision of sections 121 (3) (j), 166(2) (b) and 166(2) (c) of the Municipal Finance Management Act of 2003 (“the MFMA”) read together with the National Treasury MFMA Circular 65 and section 6 of the Audit and Performance Committee Charter for the 2023-2024 financial year and it covers the period from 1 July 2023 to 30 June 2024.

The roles and responsibilities of the APC are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) read in conjunction with clause 6 of the Audit and Performance Committee Charter for the 2023-2024 financial year.

### **1. Purpose of the report.**

Clause 6 of the audit and performance committee charter requires that the chairperson of the Audit and Performance Audit Committee to report to the Municipality’s council on the operations of the Audit and Performance Committee. The reports should include:

- a) A summary of the work performed by the internal audit unit and the Audit and Performance Committee against the annual work plan.
- b) Effectiveness of internal controls and additional measures that must be implemented to address identified risks.
- c) A summary of key issues dealt with, such as significant internal and external audit findings, recommendations, and updated status thereof.
- d) Progress with any investigations and their outcomes.
- e) Details of meetings and the number of meetings attended by each member; and
- f) Other matters requested of the internal audit and Audit and Performance Committee.

### **2. Audit and Performance Committee members and attendance at meetings.**

The Committee is required to meet at least 4 times per annum as per the Audit Committee Charter and section 166(4)(b) of the MFMA. However, additional meetings may be called as the need arises. Members’ attendance at the meetings is listed below

<u>Names</u>	<u>Date of appointment</u>	<u>Meetings scheduled</u>	<u>Meetings Attended</u>
Ms. Nosipho Mchunu	01/06/2024	0	0
Ms. Nosipho Mba CA(SA)	01/06/2022	8	5
Mr. Zenzele Mzimela CA (SA)	01/06/2022	8	8
Mrs. Samukelisiwe Khanyile	01/06/2022	8	6
Ms. Nozipho Zondo	01/06/2022	8	8
Mr. Sibusiso Majola CIA	01/06/2022	8	8

It must be noted that the previous chairperson of the APC, Ms. N Mba, resigned on 16 May 2024 and council appointed Ms. N Mchunu as her replacement. In instances where members were unable to attend, apologies were received.

The following are standing invitees to the Audit Committee Meetings.

- Representative from Office of the Auditor-General (AG).
- Representatives from Provincial Treasury and COGTA.
- Representatives from National Treasury.
- The Administrator.
- Internal Audit Manager.
- The Municipal Manager (MM).
- The Chief Financial Officer (CFO).
- The Chief Executive - uThukela Economic Development Agency.
- All Heads of Departments including the:
  - PMS Manager and
  - Risk Manager.

It must be noted that 2 special meetings were held in August 2024 to review the Annual Financial Statements and the Annual Performance Report for the 2023-24 financial year.

**3. A summary of the work performed by the Audit and Performance Committee for the 2023/24 financial year is as follows:**

We reviewed the following:

- Action plan to address the Auditor-General's (A-G) issues raised in the 2022-23 financial year
- Draft Annual Financial Statements (AFS) for 2023/24 financial year
- Draft Annual Performance Management (APM) report for 2023/24 financial year
- Internal audit reports
- Monthly Financial section 71 reports
- Mid-year, section 72 report
- Quarterly S52(d) reports
- Commitments register
- Contract register

- Deviations register
- Procurement plan
- Unauthorised, Fruitless, wasteful and irregular expenditure register
- Quarterly enterprise risk management registers
- ICT report
- Litigations report
- Quarterly performance reports

#### **4. Issues raised by APC and recommendations made to management:**

##### *4.1. Auditor-General's action plan*

With regards to the review of the action plan to address issues that were raised by the A-G in the previous financial year, the committee raised concerns with the slow progress by management to address A-G issues and that slow progress led to similar issues being raised again by A-G in the 2023/24 audit. Management is requested to finalise the action plan for A-G issues raised in the 2023/24 financial year and monitor progress in the implementation of this plan during the monthly MANCO meetings. It must be noted that up until these issues are addressed, the municipality will not see any improvement in the audit opinion from A-G.

##### *4.2. Review of the AFS*

With regards to the review of the AFS, the committee raised a number of issues which included concerns with regards to the computation of the following balances on the AFS: Debtors, Revenue, VAT, Bulk purchases. Some of the figures on the face of the AFS did not correspond to the figures on the notes to the AFS. Also the working paper file was not adequately reviewed since some of the working papers were not provided to internal auditors timeously. Throughout the year the committee raised concerns with regards to the water losses and management were requested to implement plans to address this issue but unfortunately it was never adequately attended to, hence the water losses at year end were recorded at R243.11M. The committee also requested the Chief Financial Officer (CFO) to review all the reports prepared by his section to ensure that they are accurate and that they represent the information on the accounting

system. The work done by consultants also needs to be reviewed by the CFO for accuracy.

We further recommended that the municipality implement controls to improve controls in settling Creditors accounts (including the Eskom account) within 30 days of receipt of invoices as required by section 65(2)e of the Municipal Finance Management Act.

We also requested management to adhere to the payment arrangement for the funds due to the Department of Water and Sanitation.

#### *4.3. Review of the Annual Performance Management Report*

Throughout the year the committee requested management to always commit to achieve key service delivery targets to improve the quality of lives of the people of uThukela District. Many recommendations were made to management and these included: timeous submission of the PMS reports to the PMS office, provision of adequate supporting evidence for performance achieved, key legislated performance indicators must be included in the SDBIP and corrective measures (or catch up plans) for performance improvement should be devised where targets that were not met.

#### *4.4. Internal audit and internal controls*

The committee reviewed and approved the internal audit plan for the year. The committee raised concerns with management with regards to the capacitation of the internal audit unit with more staff and training which will enable the internal audit staff to keep abreast with the new developments in the internal audit profession. Internal audit reports were tabled quarterly in APC meetings and these provided a number of weaknesses in internal controls which management undertook to address.

#### *4.5. Risk management*

The municipality had a risk management committee (RMC) at the beginning of the financial year but halfway during the year this committee could not convene because of the resignation of its chairperson. The APC requests accounting officer to address the capacity constraints within the Risk Management Unit by reviving the RMC so that risk champions from different departments provide updates on the implementation of mitigation plans for risks identified in their departments to this committee.

#### *4.6. Financial management*

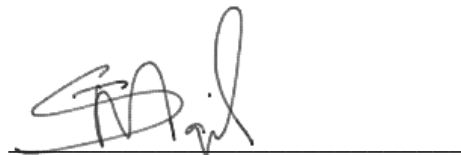
The committee raised concerns throughout the year with the quality of the financial reports that were presented by management. The committee recommended to finance that devise controls to improve accurate recording of transactions in the financial system, billing all accounts accurately, reducing unnecessary expenditure and settling accounts within 30 days.

#### *4.8. Corporate governance*

The stability of the municipal council and senior management of the municipality is commended and this will ensure that the actions being implemented by the municipality to address the challenges will indeed be implemented by the current leadership of the municipality. The committee appreciates the cooperation it has received from both management and municipal council during the year.

### **5. Conclusion**

We APC appreciates management's efforts and commitment in improving controls and reporting for both financial and performance management information.



**Mr S Majola CIA**  
**Audit and Performance Committee Chairperson**  
**22 January 2025**