

**7.
FIRST AUDIT REPORT OF THE PERFORMANCE AUDIT COMMITTEE (PAC) TO
THE OVERSTRAND MUNICIPAL COUNCIL PERIOD 2014/15**

3/2/3/12

DC Van Der Heever

(028) 313 5035

Internal Audit Services

10 April 2015

1. Executive Summary

The purpose of the report is to present Council with the First Audit Report from the Performance Audit Committee (PAC) as required by Regulation 4(a)(iii) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

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

Local Government: Municipal Planning and Performance Management Regulations, 2001

6. Background/Discussion

Section 45 of the Local Government: Municipal Systems Act, 2000 provides that: *The results of performance measurements in terms of section 41(1)(c) must be audited –*

- (a) as part of the municipality's internal auditing processes; and
- (b) annually by the Auditor-General.

In addition, regulation 14(1)(c) of the Municipal Planning and Performance Management Regulations states: *A municipality's internal auditors must –*

- (i) *on a continuous basis audit the performance measurements of the municipality; and*
- (ii) *submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in subregulation (2).*

Furthermore, regulation 14(4)(a) of the Municipal Planning and Performance Management Regulations states: *A performance audit committee must –*

- (i) *review the quarterly reports submitted to it in terms of sub regulation (1)(c)(ii);*
- (ii) *review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and*
- (iii) *at least twice during the financial year submit an audit report to the municipal council concerned.*

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: 1st Audit Report of the Performance Audit Committee to the Overstrand Municipal Council period 2014/15

RECOMMENDATION TO THE COUNCIL:

that the first Audit Report in respect of the 2014/15 financial year submitted by the Performance Audit Committee as part of their reporting obligations arising from the Local Government: Municipal Planning and Performance Management Regulations, 2001, be noted.

RESPONSIBLE OFFICIAL :

D C VAN DER HEEVER

TARGET DATE FOR IMPLEMENTATION :

TO BE NOTED

**OVERSTRAND MUNICIPALITY
PERFORMANCE AUDIT COMMITTEE**



**1st AUDIT REPORT OF THE PERFORMANCE AUDIT
COMMITTEE (PAC) TO THE OVERSTRAND MUNICIPAL
COUNCIL – PERIOD 2014/15**

25 MARCH 2015



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PERFORMANCE AUDIT COMMITTEE (PAC):
1st AUDIT REPORT OF THE PAC
TO THE OVERSTRAND MUNICIPAL COUNCIL

1. INTRODUCTION

Section 45 of the Municipal Systems Act 32 of 2000 provides that: The results of performance measurements in terms of section 41(1)(c) must be audited-

- (a) as part of the municipality's internal auditing processes; and
- (b) annually by the Auditor-General.

In addition, regulation 14(1)(c) of the Municipal Planning and Performance Management Regulations states: *A municipality's internal auditors must-*

- (i) *on a continuous basis audit the performance measurements of the municipality; and*
- (ii) *submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in subregulation(2).*

Furthermore, regulation 4(a) of the Municipal Planning and Performance Management Regulations states: *A performance audit committee must-*

- (i) *review the quarterly reports submitted to it in terms of subregulation (1)(c)(ii);*
- (ii) *review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and*
- (iii) *at least twice during the financial year submit an audit report to the municipal council concerned.*

Based on the above and as part of the Performance Audit Committee's role and responsibilities the Performance Audit Committee performed the relevant reviews (*as listed under **Quarterly Reports Reviewed** below*) and accordingly submit our report to the Overstrand Municipal Council.

2. BACKGROUND INFORMATION

The municipality and the Section 54A (Municipal Manager) and Section 56 (Directors) managers are measured on the Top Layer Service Delivery Budget Implementation Plan (*hereafter referred to as SDBIP*) and the way that it is incorporated to the lower level staff is through the departmental SDBIP. The Top Layer SDBIP is used for reporting on performance in the quarterly reports and annual performance report, whilst the departmental SDBIP is the detail which feeds into the Top Layer SDBIP.

The quarterly Predetermined Objectives (PDO's) reports submitted by the municipality's Internal Audit Services and SDBIP reports, submitted by the Management Services directorate, are reviewed quarterly by the Performance Audit Committee and include additional reports containing information that is needed to perform its duties.

For the period 01 July 2015 – 31 January 2015 the Performance Audit Committee consisted of five (5) members listed hereunder and held one (1) meeting (27 August 2014) for the year under review. Two members' (Mr DWJ Jacobs and Mr GN Lawrence) term of office has ended on 31 January 2015 where after only one (1) extra member (Mr Burton Van Staden) was appointed from 01 March 2015.

Name of member	Number of meetings attended
Mr. DWJ Jacobs (Chairperson) (external)	1
Mr. GN Lawrence (external)	1
Mr. H Beekman (external)	1
Mr. HV Liebenberg (external)	0
Mrs. KE Montgomery (external)	1



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PERFORMANCE AUDIT COMMITTEE (PAC):
1st AUDIT REPORT OF THE PAC
TO THE OVERSTRAND MUNICIPAL COUNCIL

3. QUARTERLY REPORTS REVIEWED

The following quarterly reports were reviewed by the PAC, which included the minutes of such meeting as *Annexure A*:

PAC meeting held on 27 August 2014

- PDO Quarter 4 (01 April 2014 – 30 June 2014) for the financial period 2013/2014.
- SDBIP Report: Fourth Quarter (01 April 2014 – 30 June 2014).
- Annexure A – minutes of the PAC meeting held on 27 August 2014.

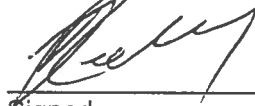
4. CONCLUSION

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

5. RECOGNITION

We would like to thank management, all municipal officials and especially Internal Audit Services for the preparation and professional formatting of reports submitted to the Performance Audit Committee. A special word of thanks and appreciation is also extended to the Executive Mayor (Cllr Nicolette Botha-Guthrie) and the Mayoral Committee member for Management Services (Cllr Philip Appelgrein) for their attendance and participation during our meetings.

Yours sincerely *



Signed

2015/03/25.
Date

H.V. LIEBENBERG
Name

**CHAIRPERSON: PERFORMANCE AUDIT COMMITTEE
OVERSTRAND MUNICIPALITY**

Signed on behalf of the Performance Audit Committee – Overstrand Municipality

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ANNEXURE A

**COMBINED MEETING OF THE
PERFORMANCE AUDIT COMMITTEE
& AUDIT COMMITTEE**

**GESAMENTLIKE VERGADERING VAN DIE
PRESTASIE OUDITKOMITEE
& OUDITKOMITEE**

MINUTES / NOTULE

DATE / DATUM:	27 AUGUST 2014 (WEDNESDAY/WOENSDAG)
VENUE / PLEK	COMMITTEE ROOM / KOMITEEKAMER (GLASKAS) CIVIC CENTRE / BURGERSENTRUM HERMANUS
TIME / TYD	<u>14:00 – 15:00</u> Performance Audit Committee Meeting <u>15:00 – 16:30</u> Audit Committee Meeting



MINUTES OF A MEETING OF THE PERFORMANCE AUDIT COMMITTEE HELD IN THE COMMITTEE ROOM (GLASKAS), HERMANUS CIVIC CENTRE ON WEDNESDAY, 27 AUGUST 2014 AT 14:00 – 15:00

1. OPENING BY CHAIRPERSON

The Chairperson, Mr Jacobs welcomed everyone present at the meeting.

2. APPLICATIONS FOR LEAVE OF ABSENCE

H Liebenberg (Audit Committee member) - vacation.

Z Mazuthu (Internal Auditor) – apology

J Frank (Internal Auditor) - apology

Persons present - see attached attendance register.

3. STATEMENTS AND COMMUNICATIONS FROM THE CHAIRPERSON

No further statements and communications expressed by the Chairperson..

4. CONFIRMATION OF PREVIOUS MINUTES DATED 26 MAY 2014

The minutes of the Performance Audit Committee meeting dated 26 May 2014 were taken to be read by all.

RESOLVED

That the minutes of the Performance Audit Committee meeting dated 26 May 2014 be confirmed as correct.

5. MATTERS ARISING FROM THE MINUTES

No matters indicated for feedback.

6. STANDING ITEMS

6.1. CAE STATUS REPORT

D Van Der Heever informed the committee that the 4th Quarter review i.r.o. Predetermined Objectives for the financial period 2013/2014 was performed during July 2014.

RESOLVED

That cognizance be taken of the content of the CAE Status Report.

6.2. SCOPE LIMITATIONS

The CAE reported that there was no scope limitations i.r.o the review done on the Predetermined Objectives for the 4th Quarter of the 2013/2014 financial period.

RESOLVED

That cognizance be taken of the reporting i.r.o. no scope limitations.

6.3. INTERNAL AUDIT SERVICES (IAS) INDEPENDENCE AND OBJECTIVITY

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

Standard 1100 – Independence and Objectivity

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



Standard 1110 – Organizational Independence

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

Standard 1120 – Individual Objectivity

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

RESOLVED

That cognizance be taken of the IAS Independence and Objectivity Declaration.

7. NEW ITEMS

7.1 REPORT: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) –

7.1.1 FOURTH QUARTER (APRIL 2014 – JUNE 2014) FOR THE PERIOD 2013/2014

A short discussion took place i.r.o. the Report: Service Delivery and Budget Implementation Plan for the fourth quarter (April 2014 – June 2014).

RESOLVED

That cognizance be taken of the content of the Report: Service Delivery and Budget Implementation Plan – Fourth Quarter (April 2014 - June 2014).

7.2 HIGH LEVEL SUMMARY REPORT:

7.2.1 FOURTH QUARTER (APRIL 2014 - JUNE 2014) FOR THE PERIOD 2013/2014

No questions/ comments were raised i.r.o. the High Level Summary Report on Predetermined Objectives: Quarter 4 for the period 2013/2014.

RESOLVED

That cognizance be taken of the content of the High Level Summary Report i.r.o. the Predetermined Objectives - Quarter 4 for the period 2013/2014.

7.3 INTERNAL AUDIT REPORT(S)

7.3.1 PREDETERMINED OBJECTIVES

FOURTH QUARTER (APRIL 2014 - JUNE 2014) FOR THE PERIOD 2013/2014

K Montgomery raised a question regarding management comment(s) 8.7 and 8.8 (read in conjunction with audit finding(s) 6.7 & 6.8 and recommendation(s) 7.7 & 7.8). K Montgomery enquired how does this happen in the first place and what remedy is in place/ what is being done to prevent the re-occurrence of this matters?

D Arrison provided a brief response on both matters. C Groenewald commented that he would like to discuss the matter i.r.o. item 8.7 with the CAE and CFO and will provide feedback to the Committee.

RESOLVED

1. That cognizance be taken of the content of the Internal Audit report i.r.o. Predetermined Objectives: Quarter 4 - Financial year 2013/2014.
2. That feedback will be provided i.r.o. management comment provided in item 8.7 (read in conjunction with audit finding 6.7 and recommendation 7.7)

8. GENERAL

No further items were listed under general.



Performance Audit Committee
Minutes of meeting: 27 August 2014

9. **NEXT MEETING**

Next meeting to be held on 26 November 2014 at 14:00 – 15:00.

10. **CLOSING**

The meeting closed at 14:30

DWJ JACOBS
CHAIRPERSON

DATE:



Performance Audit Committee
Minutes of meeting: 27 August 2014



**ATTENDANCE REGISTER OF THE COMBINED PERFORMANCE AUDIT
COMMITTEE & AUDIT COMMITTEE MEETING**

Held in the Committee Room (Glaskas) Civic Centre, HERMANUS, on Wednesday
27 August 2014 at 14:00.

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

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

NAME	POSITION	SIGNATURE	QUEST.1	QUEST.2
DWJ Jacobs	Chairman	<i>[Signature]</i>	No	No
GN Lawrence	Member	<i>[Signature]</i>	No	No
H Beekman	Member	<i>[Signature]</i>	No	No
HV Liebenberg	Member	Apology		
KE Montgomery	Member	<i>[Signature]</i>	No	No

NAME	POSITION	SIGNATURE
N Botha-Guthrie	Executive Mayor	<i>[Signature]</i>
P Appelgrein	Chairman: Management Services Portfolio	<i>[Signature]</i>
B Solomon	Chairman: Finance Portfolio	<i>[Signature]</i>
C Groenewald	Municipal Manager	<i>[Signature]</i>
D Arrison	Director: Management Services	<i>[Signature]</i>
S Reyneke- Naude	Director: Finance (CFO)	<i>[Signature]</i>
R Louw	Senior Manager: Strategic Services	<i>[Signature]</i>
D Van Der Heever	Chief Audit Executive	<i>[Signature]</i>
C Rossouw	Internal Auditor	<i>[Signature]</i>
J Frank	Internal Auditor	Apology
Z Mazuthu	Internal Auditor	Apology
M Bartman	Deputy Director: Community Services	<i>[Signature]</i>
H Bignaut	Deputy Director: Engineering Services	<i>[Signature]</i>