



Lesedi Local Municipality
People Centered & Performance Driven Municipality

**ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE (APC) FOR
THE FINANCIAL YEAR 2016/17
FOR THE ORDINARY COUNCIL MEETING TO BE HELD ON 31 JANUARY 2018
IN THE COUNCIL CHAMBER AT 14H00.**

Chairperson: Adv. MM Mochatsi

Members: Mr. S Mofokeng; Mr. MG Dhladhla & Mr. F Makaula

1. INTRODUCTION

The Chairperson of the Audit and Performance Committee (APC) has the pleasure in submitting herewith the Annual Report of the AC for the financial year ended 30 June 2017.

2. THE LEGAL FRAMEWORK GOVERNING THE AUDIT AND PERFORMANCE COMMITTEE

- a. Section 166(1) of the Local Government: Municipal Finance Management Act, (Act number 56 of 2003) (MFMA) requires from each municipality to have an Audit Committee.

- b. In terms of section 166(2) (a) of the MFMA the “audit committee is an independent advisory body which must “amongst others” advise the municipal council on matters relating to-
 - i. internal financial control and internal audits;
 - ii. risk management;
 - iii. accounting policies;
 - iv. the adequacy, reliability and accuracy of financial reporting and information;
 - v. performance management;
 - vi. effective governance;
 - vii. compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
 - viii. performance evaluation; and
 - ix. Any other issues referred to it by the municipality.

In addition sections 166(2) (b) (c) (d) and (e) requires from the committee to review the annual financial statements, respond to Council on any issues raised by the Auditor-General of South Africa in the audit report, carry out such investigations into the financial affairs of the municipality as the Council may request and perform such other functions as may be prescribed.

3. GOVERNANCE OF THE AUDIT AND PERFORMANCE COMMITTEE

The Audit and Performance Committee adopted appropriate terms of reference which were captured in an Audit and Performance Committee Charter, approved by Council. The APC approved the Internal Audit Charter, the Internal Audit Plan as well as the Audit and Performance Committee Charter for 2016/17 financial year in their meeting which was held in November 2016 which regulates the operations of the internal audit co-sourced partners.

The Manager: Internal Audit administratively reports to the Accounting Officer and functionally to the Audit Committee.

The members of the Audit and Performance Committee consisted of four (04) members during the period 01 July 2016 till 30 June 2017 and were as follows:

Member	Position
Adv. Moferefere Martin Mochatsi	Chairperson
Mr. Mandlenkosi Godlihawu Dhladhla	Member
Mr. Sidwell Lekula Mofokeng	Member
Mr. Fezile Makaula	Member

The Audit and Performance Committee convened four ordinary meetings, two special meetings and one in-committee meeting during the period under reviewed, as set out in the table below:

Date	Adv. M M Mochatsi	Mr. MG Dhladhla	Mr. SL Mofokeng	Mr. F Makaula
27/10/2016	Present	Present	Present	Present
24/11/2016	Present	Present	Present	Present
22/03/2017	Present	Present	Present	Present
05/04/2017	Present	Present	Present	Present
29/06/2017	Present	Present	Present	Apology
24/08/2017	Present	Present	Present	Resigned on 05 July 2017

30/08/2017	Present	Present	Present	
------------	---------	---------	---------	--

4. INTERNAL CONTROL AND INTERNAL AUDITS

The system of internal control was partially effective for the year under review. The Audit and Performance Committee has taken notes of the internal control deficiencies as reported by Internal Audit co-sourced partners and the Auditor-General and advise management to immediately address those matters.

5. RISK MANAGEMENT

A strategic risk assessments for 2016/17 financial year was conducted and presented to the Audit and Performance Committee at the end of the 2016/17 financial year.

The Audit and Performance Committee advised management to monitor the implementation of risk action plans during the 2017/18 FY.

6. ACCOUNTING POLICIES

Accounting Policies are part of the Annual Financial Statements (AFS). The AFS were reviewed by the Auditor General of SA from August 2017 until November 2017.

7. PERFORMANCE MANAGEMENT

The Audit and Performance Committee noted the audit findings and recommendations made by the Auditor-General on the reported Performance Information and Supply Chain Management of the Lesedi Local Municipality and trust that the

recommendations will be implemented accordingly during the 2017/18 financial year.

Furthermore, the Audit and Performance Committee advise management to immediately address all the material findings through a Management Action Plan and as part of Operation Clean Audit (OPCA).

8. EFFECTIVE GOVERNANCE

The MFMA imposes a number of responsibilities on the Accounting Officer concerning financial and risk management and internal control. Essential to achieving this, is the implementation of certain key governance responsibilities.

The following key governance responsibilities of the Municipality were functional:

- Audit and Performance Committee;
- Internal Audit;
- Municipal Public Accounts Committee;
- Portfolio Committees;
- Executive Committee;
- Council and
- Section 80 Committees.

9. COMPLIANCE WITH THE ACTS, THE ANNUAL DIVISION OF REVENUE ACT AND ANY OTHER APPLICABLE LEGISLATION

The Audit and Performance Committee noted the audit findings on material non-compliance with specific matters in key legislation and advise management to implement the recommendations made by the Auditor-General during the 2017/18 financial year.

10. PERFORMANCE EVALUATION

The performance evaluation of the then Acting Municipal Manager and Executive Managers reporting directly to the then Acting Municipal Manager for the reporting period ended 30 June 2017 was postponed. The Audit and Performance Committee advise management to immediately address all outstanding performance evaluations of the then Acting Municipal Manager and the Executive Managers reporting directly to the Municipal Manager.

11. ANY OTHER ISSUE(S) REFERRED TO THE AUDIT COMMITTEE BY THE MUNICIPALITY

None.

12. REVIEW OF ANNUAL FINANCIAL STATEMENTS

The Audit and Performance Committee reviewed the Annual Financial Statements for the year ended 30 June 2017 as presented by management at the Audit Committee meetings held on the 24 and 30 August 2017.

The Audit and Performance Committee noted an Unqualified Audit Opinion with audit findings expressed by the Auditor-General in the Final Management Report of 2016/17 FY.

14. THE AUDITOR - GENERAL OF SOUTH AFRICA

The Audit and Performance Committee noted the conclusions of the Auditor-General on the Annual Financial Statements for the year ended 30 June 2017 and recommends that the audited Annual Financial Statements be adopted by Council.

15. APPRECIATION

The Audit and Performance Committee expresses its sincere appreciation to the following:

- i. Council,
- ii. Speaker,
- iii. Executive Mayor,
- iv. The then Acting Municipal Manager,
- v. Executive Managers,
- vi. Management and staff,
- vii. Auditor-General of South Africa,
- viii. Gauteng Provincial - Treasury,
- ix. Gauteng Provincial - COGTA and
- x. Internal Audit co-sourced partners for their support and co-operation to the Audit and Performance Committee members during the year under review.

_____ Date: _____

Advocate M. M. Mochatsi

Chairperson of the Audit and Performance Committee

