

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

**3/2/3/12**

**DC Van Der Heever**

**(028) 313 5035**

**Internal Audit Services**

**13 September 2018**

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**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 21 May 2017.

**2. Service Delivery and Budget Implementation Plan - IGNITE**

Office of the Municipal Manager  
Internal Audit Services

**3. Compliance with Strategic Priority**

Provision of democratic, accountable and ethical governance

**4. Delegated Authority**

None

**5. Legal Requirements**

Section 166 of the Local Government: Municipal Finance Management Act, No 56 of 2003

Regulation 14(4)(a) of the Municipal Planning and Performance Regulations  
Overstrand Municipality Joint Audit and Performance Audit Committee Charter

**6. Background/Discussion**

The reporting requirements as per the Joint Audit and Performance Audit Committee (JAPAC) Charter provides that the chairperson of the audit committee will report on a quarterly basis to the Overstrand Municipal Council on the operations of the Internal Audit Unit and the JAPAC.

**7. Financial Implications**

None

**8. Staff Implications**

None

**9. Comments from other Departments, Divisions and Administrations**

None

**10. Annexures**

Annexure A: Report, dated 31 August 2018, prepared by the Chairperson of the JAPAC

Annexure B: Minutes of the JAPAC meeting dated 30 May 2018

**RECOMMENDATION TO THE COUNCIL:**

that the report from the Joint Audit and Performance Audit Committee to the Overstrand Municipal Council **be noted**.

**RESPONSIBLE OFFICIAL :****DC VAN DER HEEVER****TARGET DATE FOR IMPLEMENTATION :****26 SEPTEMBER 2018**

Date: 31 August 2018

To: The Overstrand Municipal Council  
c/o The Speaker – Alderman A Coetzee

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)

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REPORT 2 OF 2017/18 FINANCIAL YEAR**

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**Reporting Requirement(s)**

In terms of paragraph 3.7 of the JAPAC Charter, the chairperson of the committee is required to report to the Overstrand Municipal Council on the operations of the Internal Audit unit and the Joint Audit and Performance Audit Committee/ Audit Committee. The reporting should include a summary of the work performed by Internal Audit and the Joint Audit and Performance Audit Committee/ Audit Committee against the annual work plan, issues, and related recommendations.

Attached, please find the following:

Annexure A: Report of the Joint Audit and Performance Audit Committee for the period 01 April 2018 to 30 June 2018.

Yours truly



**BURTON VAN STAADEN**  
*Chairman of Joint Audit and Performance Audit Committee  
Overstrand Municipality*

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

During the period 01 April 2018 to 30 June 2018, the JAPAC convened two (2) meetings, namely:

- JAPAC Meeting held on 30 May 2018
- JAPAC Meeting held on 27 June 2018

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

Member	JAPAC Meeting 30 May 2018	JAPAC Meeting 27 June 2018
Mr B van Staaden (Chairperson)	Attended	Attended
Mr R Kingwill	Attended	Attended
Mr. M Mdludlu	Attended	Attended
Mr. T Lesihla	Absent	Absent

**2. REPORT ON INTERNAL AUDIT**

During the period 01 April 2018 to 30 June 2018 the following internal audit reports/ documents were presented by the Chief Audit Executive and considered by the committee:

Meeting date	Internal Audit Reports
30/05/2018	1. ICT – Network capacity
	2. Division of Revenue Act n0.3 of 2016
	3. Ageing and deterioration of fleet and small plant.
	4. Loss of records
	5. Municipal conformance to basic standards of buildings used for crèches
	6. Disaster management priorities.
	7. Digitising of human resource records.
	8. Loss of records and inadequate storage space.
	9. Inability to perform on mandated traffic and law enforcement functions.
	10. Incapacitated work force due to medical reasons.
	11. Follow-up: Procurement process – medical emergencies.
	12. Key control assessment: Second bi-annual review (July 2017- March 2018)
	13. Failure to integrate systems.
30/05/2018	Internal Audit Documents Considered
	None

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Meeting date	Internal Audit Reports
27/06/2018	1. Loss of records
	2. Follow-up: State of adequacy of traffic and law enforcement vehicles.
	3. Follow-up: Limited specialized emergency vehicles (fire, rescue and disaster management).
	4. Evaluating the risk management process.
	5. mSCOA implementation.
27/06/2018	Internal Audit Documents Considered
	6. Operational Risk –Based Audit program 2018/2019

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

### 3. INTERNAL AUDIT STAFFING

The JAPAC noted that the Internal Audit Services unit is now fully staffed.

### 4. RESOLUTIONS OF THE JAPAC

Copies of the minutes of the JAPAC meetings will be forwarded to Council once the minutes has been approved by the JAPAC. The approved minutes of the JAPAC meetings will contain details of all resolutions of the JAPAC.

The following minutes of JAPAC meeting(s) has been approved during this reporting period and is hereby attached:

- Minutes of JAPAC Meeting held on 30 May 2018 – Annexure B

### 5. REPORT ON PERFORMANCE MANAGEMENT

At the JAPAC meeting held on 30 May 2018 and 27 June 2018, the following quarterly reports in respect of performance management were presented and considered by the JAPAC:

1 <sup>st</sup> Quarter Reports (01 July 2017 to 30 September 2017)	1. High Level Summary Report: Predetermined Objectives
	2. Internal Audit Report: Predetermined Objectives
2 <sup>nd</sup> Quarter Reports (01 October 2017 to 31 December 2017)	3. High Level Summary Report: Predetermined Objectives
	4. Internal Audit Report: Predetermined Objectives
3 <sup>rd</sup> Quarter Reports (01 January 2018 to 31 March 2018)	5. Service Delivery and Budget Implementation Plan
	6. High Level Summary Report: Predetermined Objectives
	7. Internal Audit Report: Predetermined Objectives

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

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**6. REPORT ON RISK MANAGEMENT**

At the JAPAC meeting held on 30 May and 27 June 2018, the following quarterly reports in respect of risk management were presented and considered by the JAPAC:

<b>Meeting date</b>	<b>Risk Management Reports</b>
30/05/2018	None
27/06/2018	1. Risk Management Quarterly Report– Fourth Quarter 2017/ 2018
	2. Consolidated Risk Register as at 06 March 2018
	3. Strategic risk register Report on Risk Actions for risks with ineffective controls
	4. Risk Action report as at 19 June 2018
	5. Combined Assurance Model – Fourth Quarter 2017/ 2018
	6. Overstrand Municipality Risk Assessment report 2018/2019

**7. OTHER MATTERS**

The JAPAC noted the occurrence of the recent service delivery protests in the municipal area concerning the provision of housing and the impact it had on the functioning of the municipality such as the delay in finalising of certain audit reports, the possible non-achievement of performance targets and underspending of the capital budget.

**7.1 FUNCTIONING OF JAPAC**

The JAPAC noted that one of its members, Mr T Lesihla has been absent for two JAPAC meetings due to other commitments. The Chairperson of the JAPAC has requested Mr T Lesihla to advise the JAPAC in terms of his ability to continue to discharge his responsibilities as a JAPAC member and is awaiting his response.

**8. NEXT MEETING**

The next meeting of the JAPAC will be held on 18 September 2018.

**END**



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

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

**MINUTES / NOTULE**

**DATE / DATUM:** 30 MAY 2018  
(WEDNESDAY / WOENSDAG)

**VENUE / PLEK** COMMITTEE ROOM / KOMITEEKAMER  
(INTERNAL AUDIT) MAGNOLIA HOUSE/ HUIS,  
NERINA STREET/ STRAAT  
HERMANUS

**TIME / TYD** 14:00HRS



Joint Audit & Performance Audit Committee meeting  
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**MINUTES OF A MEETING OF THE JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE (JAPAC)  
HELD IN THE COMMITTEE ROOM (INTERNAL AUDIT) MAGNOLIA HOUSE, NERINA STREET  
HERMANUS ON WEDNESDAY, 30<sup>TH</sup> OF MAY 2018 AT 14:00**

**1. OPENING BY CHAIRPERSON**

The Chairperson, B van Staaden welcomed everyone present at the JAPAC meeting.

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

Apologies received from the following officials/members:

1. T LesiNa (JAPAC member)
2. Ald D Coetzee (Executive Mayor)
3. Z Mazuthu (Internal Auditor)

Persons present - see the attached attendance register.

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

The Chairperson

- 3.1** The JAPAC is aware of the unrest in the Overstrand area, and requested from the Municipal Manager to brief the JAPAC at the next meeting, on the risk implications relating to the unrest, land invasion(s) and the housing issues.

The Municipal Manager gave a short summary and update on the unrest, land invasion(s) and the housing issues in the municipal area.

The JAPAC recognised this as a strategic risk, and recommended that the Municipal Manager and his team recognise it as a strategic risk.

The JAPAC recommended that the situation be treated as a disaster as it can be declared as a disaster. To mobilise the disaster management plan, in order to gain access to all other resources available to the municipality.

The Municipal Manager assured the JAPAC that the Municipality is managing the situation.

The Municipal Manager will forward a statement by the Executive Mayor which was presented to Council today (at the Council meeting held today - 30 May 2018).

**Action Item 01 of 30 May 2018**

The JAPAC request a statement by the Executive Mayor which was presented to council to be circulated to all JAPAC members.

**RESOLVED**

The JAPAC resolved that:

1. The Municipal Manager will circulate a statement by the Executive Mayor.
2. The matter be discussed in the next scheduled ordinary JAPAC meeting.

**4. CONFIRMATION OF PREVIOUS MINUTES**

**4.1 13 March 2018: Ordinary JAPAC meeting**

The members of the JAPAC considered the minutes of the ordinary JAPAC meeting dated 13 March 2018.

**RESOLVED**

That the minutes of the JAPAC meeting dated 13 March 2018 be adopted.

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





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- 5.1 Item 01 and 02 of 13/03/2018 will be addressed in the next scheduled ordinary JAPAC meeting (Carried over).
- 5.2 Item 03 of 13/03/2018 was dealt with in this meeting (close off).
6. **STANDING ITEMS**
- 6.1. **QUARTERLY BUDGET STATEMENT REPORT  
THIRD QUARTER (JANUARY 2018 – MARCH 2018) FOR THE FINANCIAL YEAR 2017/2018**  
Report for the period was not yet due for tabling. The report will be tabled in the next scheduled ordinary JAPAC meeting.
- 6.2. **REPORT: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)  
THIRD QUARTER (JANUARY 2018 – MARCH 2018) FOR THE FINANCIAL YEAR 2017/2018**  
Report for the period was not yet due for tabling. The report will be tabled in the next scheduled ordinary JAPAC meeting.
- 6.3. **DEBTORS COLLECTION REPORT**  
Report for the period was not yet due for tabling. The report will be tabled in the next scheduled ordinary JAPAC meeting.
- 6.4. **CREDITORS REPORT**  
Report for the period was not yet due for tabling. The report will be tabled in the next scheduled ordinary JAPAC meeting.
- 6.5. **AUDIT ACTION PLAN AS AT 31 MARCH 2018**  
Report for the period was not due for tabling. The report will be tabled in the next scheduled ordinary JAPAC meeting.
- 6.6. **RISK MANAGEMENT**  
Report(s) for the period was not due for tabling. The report(s) will be tabled in the next scheduled ordinary JAPAC meeting.
- 6.7. **COMPLIANCE WITH GIFT POLICY – GIFT REGISTERS FROM DIRECTORATES**  
No gift registers/ declarations were submitted for consideration.  
**RESOLVED**  
The JAPAC noted that no gift registers/ declarations were submitted for consideration.
- 6.8. **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.*



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### Standard 1120 – Individual Objectivity

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

#### **RESOLVED**

That cognizance be taken of IAS independence and objectivity declaration.

#### **6.9. SCOPE LIMITATIONS**

The CAE indicated that there were no scope limitations to be reported.

#### **RESOLVED**

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

#### **6.10. CAE STATUS REPORT**

The report will be tabled for the next scheduled ordinary JAPAC meeting.

#### **RESOLVED**

The JAPAC noted the status of audit projects summary.

### **7. INTERNAL AUDIT REPORTS**

#### **7.1 INTERNAL CONTROL REPORTS**

##### **7.1.1 ICT – Network Capacity**

The JAPAC reviewed the contents of the report, a few comments/ questions were raised:

- ❖ JAPAC asked Management if there was value added, based on the audit.
- ❖ The relevance and timing of the audit after the implementation of mSCOA.
  1. The Director: Management Services explained that Management view Internal Audit as a Management tool.
  2. The Director: Management Services indicated that value was added.
  3. The CFO also confirmed that value was added by this audit.

The CFO gave some background information on mSCOA and the current status thereof.

#### **Audit Opinion/ Conclusion**

Based on the audit work performed, Internal Audit Services (IAS) is of the opinion that an adequate and effective control framework is in place i.r.o Network Capacity, to ensure the implementation of mSCOA as per the mSCOA regulation.

#### **RESOLVED**

That cognizance is taken of the report on ICT – Network Capacity 2017/2018.

##### **7.1.2 Division of Revenue Act No.3 of 2016**

The JAPAC reviewed the contents of the report, a few comments/ questions were raised:

- ❖ JAPAC asked management if there was value added, based on the audit. The JAPAC questioned the timing and scope of the audit, i.e. auditing compliance to the 2016 Division of Revenue Act after the AG(SA) already audited compliance to the same Act and issued their audit report in respect of the 2016/17 financial.

The CFO explained from a finance perspective it is just to take note, but indeed value was added. Also the knowledge that it has been 100% audited in the previous financial year. The CFO also indicated that the AG(SA) would not be able to look at 100% of information.

The JAPAC recommended that Internal Audit Services and Management must do the audit of



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transactions in the year in which it can make a difference. That it optimises the use of scarce resources.

**Audit Opinion/ Conclusion**

Based on the audit work performed, Internal Audit Services (IAS) is of the opinion that a control framework was in place during 2016/17 financial year i.r.o compliance with legislative requirements as prescribed in the Division of Revenue Act, 2016 and the relevant DoRA frameworks.

However areas of non-compliance were identified with regard to the following:

- ❖ Section 12, which prescribes the duties of receiving officer in respect of schedule 5 and 7 allocations. This relates to MIG, EPWP and FMG.
- ❖ Non-compliance with the conditions of the relevant frameworks for conditional grants as per Annexure W3 of the Division of Revenue Act 2016. This relates to MIG, EPWP and FMG.

**RESOLVED**

That cognizance is taken of the content of the Division of Revenue Act No.3 of 2016.

**7.1.3 Ageing and deterioration of fleet and small plants**

The JAPAC reviewed the contents of the report, no comments/ questions were raised.

**Audit Opinion/ Conclusion**

Based on the above audit work performed, Internal Audit Services (IAS) is of the opinion that a control framework is in place but general disregard for procedures or breakdown in a key control.

IAS recommends that:

- ❖ A thorough study and analysis should be done on all municipal fleet vehicles to determine that the resources (municipal fleet) are used and managed effectively, efficiently and economically.
- ❖ Fleet management should consider developing, adopting and implementing an asset maintenance and replacement plan/policy to ensure the reduction in cost of maintenance and to increase the lifespan of the assets.
- ❖ Management ensures that data on the information systems is accurate, reliable and complete to make informed decisions regarding fleet management.

**RESOLVED**

That cognizance is taken of the content of the Audit Report *re*: Ageing and deterioration of fleet and small plants 2017/2018.

**7.1.4 Loss of records**

The report will be tabled in the next scheduled ordinary JAPAC meeting of 27 June 2018.

**RESOLVED**

That cognizance be taken that the Audit Report on the Loss of records 2017/2018 will be tabled in the next scheduled ordinary JAPAC meeting.

**7.1.5 Municipal conformance to basic standards of buildings used for crèches**

Internal Audit Services completed the report; however the Municipal Manager requested an extension on the audit scope. The report will be tabled at the next scheduled ordinary JAPAC meeting of 27 June 2018.

The Municipal Manager indicated that there was another audit that he requested of the CAE to do (not on the audit coverage plan) and enquired from the JAPAC if he needs permission from



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the JAPAC to ask the CAE to perform a specific audit.

The JAPAC indicated that they do not need to give permission but the JAPAC need to be informed. The JAPAC explained that the charter states the Internal Audit Services may consider requests from Management, but such requests must be approved by the JAPAC.

The CAE explained that the MFMA permits the Municipal Manager to request the CAE to perform a particular audit/investigation. The CAE also indicated that the MM in terms of Section 165 of the MFMA, have that authority.

#### RESOLVED

That cognizance is taken that the report on the Municipal conformance to basic standards of buildings used for crèches 2017/2018 will be tabled at the next scheduled ordinary JAPAC meeting.

The JAPAC resolved that at the standing quarterly JAPAC meeting the CAE must report to the JAPAC on any changes to the Risk Based Audit Plan.

#### Action Item 02 of 30 May 2018

The JAPAC requested that at the standing quarterly JAPAC meeting the CAE must report to the JAPAC on any changes to the risk based audit plan. (new standing item on agenda)

#### 7.1.6 Disaster Management Priorities

The JAPAC reviewed the contents of the report, a few comments/ questions were raised:

The CAE gave some background information to the disaster management function and indicated that the function, which was previously assigned to the District Municipalities was recently transferred to B Municipalities without capacity in terms of funding.

The JAPAC referred to the paragraph in the audit report:

- ❖ Page 6 – Status Quo: *"During consultation held with the Municipal Manager and Director: Protection & Security Services, on 28 February 2018 the following important aspects were highlighted: Current controls in place to mitigate the risk are not adequate due to lack of funding and the risk will remain on the risk register to keep management aware of the risk."*

The JAPAC comments/ questions:

- ❖ If the director was already aware that the controls were inadequate, what assurance was internal audit services supposed to provide?
- ❖ Internal Audit is supposed to provide assurance on the adequacy and effectiveness of controls. If Management concludes (as indicated per the Risk Register) that there are no controls or controls are inadequate or/and ineffective, what assurance do they require from Internal Audit?
- ❖ Internal Audit's time was wasted to confirm what is already known (i.e. controls are inadequate), instead Internal Audit could rather have performed a consulting engagement to assist management in developing additional controls/risk mitigating measures.
- ❖ The JAPAC need to interrogate the audit plan more effectively.
- ❖ Management must agree the scope of a particular audit with Internal Audit in order to get value from the audit.
- ❖ The JAPAC explained the difference between an assurance engagement and a consulting engagement:
  - When management is aware that no controls are in place or controls are ineffective that a consulting engagement should take place instead of an assurance engagement.
  - If, based on management's assessment, internal controls are perceived to be adequate and operating effectively, Internal Audit will then perform an assurance engagement in order to provide independent assurance to management on the adequacy and



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effectiveness of those controls.

The Municipal Manager indicated that the report is used to assist Management. The internal audit reports are regarded as a management tool for the organisation and that value is added to the organisation with Internal Audit Services audits.

The Director: Management Services explained how the risk of digitizing of HR records is identified and how it is assessed. The Director indicated that the audit benefits the organisation, knowing that the municipality have certain processes in place.

**Audit Opinion/ Conclusion**

Based on the review and on the above information, Internal Audit Services is of the opinion that the control environment/ framework i.r.o the Disaster Management Function, is and will remain inadequate and ineffective unless and until such time as sufficient capacity is established by virtue of appropriate budget allocation in this regard.

**RESOLVED**

That cognizance is taken of the report on Disaster Management Priorities 2017/2018.

**7.1.7 Digitising of Human Resource Records**

The JAPAC reviewed the contents of the report, no further comments/ questions were raised as the comments relating the audit on Disaster Management Priorities (Item 7.1.6) also applied to this audit.

**Audit Opinion/ Conclusion**

Based on the above information, Internal Audit is of the opinion that the audit of digitizing of HR records be kept in abeyance until such time the Municipality has fully implemented the system for digitising personnel records. Currently there is no basis upon which Internal Audit can measure and evaluate the adequacy and effectiveness of the system (electronic) as it is in the process of being implemented.

**RESOLVED**

That cognizance is taken of the report on Disaster Management Priorities 2017/2018.

**7.1.8 Loss of records and inadequate storage space**

The JAPAC reviewed the contents of the report, no comments/ questions were raised

**Audit Opinion/ Conclusion**

Based on the above information, Internal Audit Services is of the opinion that an audit on loss of records will be conducted under infrastructure and planning, as the risk pertained to the afore-said directorate.

**RESOLVED**

That cognizance is taken of the report on Disaster Management Priorities 2017/2018.

**7.1.9 Inability to perform on mandated Traffic Services and Law Enforcement functions**

The JAPAC reviewed the contents of the report, no comments/ questions were raised.

**Audit Opinion/ Conclusion**

A review of the risk by the owner and risk champion necessitated an adjustment in the risk rating. The revised risk now falls within the risk appetite of the municipality and consequently



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It was removed from the municipal risk register which was used to compile the 2017/18 Risk Based Audit Plan. The relevant risk owner and risk champion accepted the risk, as it is no longer considered a high risk for the municipality.

As a consequence the audit project i.e. inability to perform on mandated traffic services and law enforcement functions, is no longer regarded a high risk area by the municipality.

Management, by virtue of the risk owner and risk champion accordingly accepted the current controls in place as efficient and adequate to mitigate the associated risk pertaining to the inability to perform on mandated traffic services and law enforcement functions

**RESOLVED**

- That cognizance is taken of the change to the risk rating.
- The JAPAC noted that no further audit work was required.

**7.1.10 Incapacitated workforce due to medical reasons**

The JAPAC reviewed the contents of the report, no comments/ questions were raised.

**Audit Opinion/ Conclusion**

A review of the risk by the owner and risk champion necessitated an adjustment in the risk rating. The revised risk now falls within the risk appetite of the municipality and consequently it was removed from the municipal risk register which was used to compile the 2017/18 Risk Based Audit Plan. The relevant risk owner and risk champion accepted the risk, as it is no longer considered a high risk for the municipality.

As a consequence the audit project i.e. incapacitated workforce due to medical reasons, is no longer regarded a high risk area by the municipality.

Management, by virtue of the risk owner and risk champion accordingly accepted the current controls in place as efficient and adequate to mitigate the associated risk pertaining to the incapacitated workforce due to medical reasons

**RESOLVED**

- That cognizance is taken of the change to the risk rating.
- The JAPAC noted that no further audit work was required.

**7.1.11 Follow-up: Procurement process- medical emergencies**

The JAPAC reviewed the contents of the report, a few comments/ questions were raised:

- ❖ The JAPAC commended IAS on a good report.

The Director: Management Services Indicated that this report is of value and this is how the IAS contributes to the organisation.

**Audit Opinion/ Conclusion**

Based on the above audit work performed, IAS is of the opinion that the overall system of internal control pertaining to the *procurement processes relating to medical emergencies* is adequate and effective. No instances were found regarding delays in providing prescribed medication to employees who suffered an IOD due to the procurement regulatory requirements

**RESOLVED**

That cognizance is taken of the report on Follow-up: Procurement process- medical emergencies 2017/2018.



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### 7.1.12 Failure to integrate systems

The JAPAC reviewed the contents of the report, a few comments/ questions were raised:

The CFO explained the current status of mSCOA and the implementation thereof.

The CFO explained that the concern was mainly on the financial system service providers not being able to meet the requirement to be compliant and the Municipality had no control over this matter.

#### Audit Opinion/ Conclusion

Based on the above and discussion with relevant senior officials, Failure to integrate systems remains a challenge. This is exacerbated by the following factors:

- ❖ Not all mSCOA enabling modules and relevant systems(s) are implemented and/or affected by the municipality i.e. Asset Management, Insurance Register and Investment Register.
- ❖ Not all third party systems seamlessly integrate with the core financial system (Samras Classic).
- ❖ Changing/ continuous update of mSCOA requirements by National Treasury.
- ❖ Systems implementation plan – the municipality is using the outdated plan with outstanding deliverables, waiting for a new/ updated plan from the financial system vendor.

Currently IAS is unable to provide assurance i.r.o full seamless integration of third party systems with the core financial system (Samras Classic), due to the factors stated above.

Notwithstanding the above, Internal Audit Services noted that the municipality was able to transact across all required mSCOA segments, for available modules, since 01 July 2015 (implementation date for pilot municipalities)

#### RESOLVED

That cognizance is taken of the report Failure to integrate systems 2017/2018.

## 7.2 COMPLIANCE REPORTS

### 7.2.1 HIGH LEVEL REPORT & DETAILED REPORT

The Predetermined Objectives (PDO): First Quarter (July 2017 – September 2017) for the financial year 2017/2018 was tabled before the Committee for consideration.

The JAPAC reviewed the contents of the High level and detailed report, a few comments/ questions were raised:

It was noted that as two quarters reports were being considered, that the matters raised in the 1st quarter had been addressed during the 2nd quarter review

- ❖ JAPAC advised Internal Audit to look at the underlying causes.
- ❖ Page 25 – TL 30/ D238 (detailed report): Management comment – KPI represents Actual income and Baseline *paper money* for the whole of Protection services."

The JAPAC wanted clarity on the definition of *paper money*?

Management explained that *paper money* is impairments, fines that are issued but is not always guaranteed that the full amount of fines issued will be collected. The KPI was corrected in the 3<sup>rd</sup> Quarter. There is also a standard operating procedure in place for this specific KPI.

#### RESOLVED

That cognizance is taken of the report on the Predetermined Objectives (PDO): High level and detailed report, First Quarter (July 2017 – September 2017) for the financial year 2017/2018.



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### 7.2.3 HIGH LEVEL REPORT & DETAILED REPORT

The Predetermined Objectives (PDO): Second Quarter (October 2017 – December 2017) for the financial year 2017/2018 was tabled before the Committee for consideration.

#### RESOLVED

That cognizance is taken of the report on the Predetermined Objectives (PDO): High level report and detailed report, Second Quarter (October 2017 – December 2017) for the financial year 2017/2018.

### 7.2.5 Key Controls Assessment: Second BI- Annual Review (July 2017 - March 2018)

The Key Controls Assessment: Second BI- Annual Review (July 2017 – March 2018) for the financial year 2017/2018 was tabled.

The JAPAC reviewed the contents of the report, a few comments/ questions were raised:

- ❖ Overall issues have been attended to and where its not done yet, they are still in progress.
- ❖ The JAPAC indicated that they are aware that the AG(SA) is moving away from the Key Controls Report, and that they going to do a "Status Of Records Review".

#### RESOLVED

That cognizance is taken of the content of the Key Controls Assessment. The JAPAC noted the Report.

## 8. ITEM(S) FOR DISCUSSION/NOTING

### 8.1 JAPAC Report to Council

The Municipal Manager referred to:

Paragraph 7.3 Functioning of JAPAC and filling of vacancies

- ❖ Council noted the report.
- ❖ The person responsible for this function is not with the Municipality anymore and some office politics was involved.

#### RESOLVED

The JAPAC noted the report.

## 9. GENERAL

## 10. NEXT MEETING

The next JAPAC meeting is scheduled for 27 June 2018.

## 11. CLOSING

The meeting closed at 15:49

  
E VAN STAADEN  
CHAIRPERSON

27/06/2018

DATE:





Joint Audit & Performance Audit Committee meeting  
Minutes of meeting: 30 May 2018



**ATTENDANCE REGISTER OF THE JOINT AUDIT AND PERFORMANCE AUDIT  
COMMITTEE (JAPAC) MEETING**

Held in the Committee Room (Internal Audit) Magnolia House, Nerina Street, HERMANUS,  
on Wednesday, 30 May 2018 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
B Van Staaden	Chairperson JAPAC		No.	No.
R Kingwill	Member		No.	No.
M Mchudi	Member		No.	No.
T Lesiba	Member	APPOLOGY	-	-

NAME	POSITION	SIGNATURE
Ald D Coetzee	Executive Mayor	APPOLOGY
Clr R de Coning	Finance Portfolio	
Clr A Komani	Management Services Portfolio	
C Groenewald	Municipal Manager	
D Anison	Director: Management Services	
S Reyneke- Naude	Director: Finance (CFO)	
R Louw	Senior Manager: Strategic Services	
D Van Der Heever	Chief Audit Executive (CAE)	
R Africa	Internal Auditor	
Z Mazushu	Internal Auditor	APPOLOGY
E Essop	Internal Auditor	
N Tsholoba	Intern: Finance	
S Mvaba	Intern: Internal Audit	