ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE

FOR THE PERIOD 01 JULY 2024 TO 30 JUNE 2025

COMMITTEE REPORT

The Audit and Performance Committee of Abaqulusi Municipality (“the Committee”) hereby submits its Annual Report in terms of sections 121(3)(j), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act, 56 of 2003 (MFMA). This report covers the period 01 July 2024 to 30 June 2025.

COMMITTEE MEMBERS AND ATTENDANCE

The Committee consist of the members listed here-under and meets as a minimum, four times a year as per the approved Audit Committee Charter. The committee consisted of the following members for the 2024/2025 financial year:

Members:

Mrs S Dunmun – Chairperson

Ms SB Dlungwane – Member

Mr PGJ Dzanibe – Member

Mr A Zungu – Member

Meetings held:

- 16 August 2024
- 28 August 2024
- 11 December 2024
- 25 March 2025
- 26 June 2025

COMMITTEE RESPONSIBILITIES

The Committee has complied with its responsibilities arising from section 166 of the MFMA and clause 14(2) (a) of the Municipal Planning and Performance Management Regulations of 2001. The Committee’s work was guided and regulated by an Audit Committee Charter and discharged all its responsibility as contained therein.

INTERNAL AUDIT INSTITUTIONAL ARRANGEMENT

The Internal Audit Charter as adopted by the Committee regulates the work of the Internal Audit Activities.

The municipality has an approved structure of internal audit. It is recommended that the municipality should consider appointing interns for internal audit and risk management for the skills transfer, in order for it to build its capacity going forward.

In terms of S62 (c) (ii) and S165 (1) of the MFMA each municipality is required to have an Internal Audit unit and S165 (3) allows the municipality to co-source the internal audit function if the municipality requires assistance to develop its internal capacity. The Internal Audit Plan and Internal Audit Charters were approved by the Committee at its meeting on the 16th August 2024.

INTERNAL AUDIT FUNCTION

During this financial year internal audit reports were presented at the Committee meetings. Issues raised were deliberated in the meetings of the Committee and resolutions taken.

The Internal Audit Unit has made significant progress in the completion of the 2024/2025 annual audit plan and complied with its responsibilities arising from the approved Internal Audit Charter. Internal Audit was able to finalise its work by the end of July 2025.

SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to provide reasonable assurance that the assets are safeguarded and the liabilities and working capital are effectively and efficiently managed and they remain a management responsibility.

The Internal Audit reports in all areas audited during the financial year under review indicated that there were some weaknesses in the system of internal control and these were deliberated on during the meetings.

The Committee has noted that there have been inconsistent trends in the resolution of findings and implementation of the response plans required to address the findings. Whilst the committee notes the limited resources and the leadership challenges that the municipality had, leadership structures need to lead to ensure that there is accountability that is intertwined with authority at all levels, thereby minimising risks of incompetency; maladministration; fraud and corruption.

RISK MANAGEMENT

The municipality through internal audit compiled a risk register, risk mitigation plans and a risk based Internal Audit Plan. The municipality is in the process of appointing a Risk Officer. A Risk Management Committee has not been in place. Following the appointment of the Risk Officer, a risk management committee should meet on a quarterly basis and their minutes, and resolutions should be presented to all meetings of the Audit Committee for adequate oversight.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

The Committee reviewed the Annual Financial Statements for the year ending 30 June 2025 that was submitted to the Auditor-General for audit. The Committee and Internal Audit noted some errors which the team of the Chief Financial Officer subsequently rectified before the submission to the Auditor-General. Improvements with respect to the quality of the Annual Financial Statements were also noted during the review of the annual financial statements compared to the previous financial year. These financial statements were approved and submitted to the Auditor-General by the end of August 2025 as required by the MFMA.

In order to improve the municipality needs to consider the impact of all accounting standards in the preparation of its Annual Financial Statements as well as the emerging risks as considered by the Auditor General in their audit and management report.

PERFORMANCE MANAGEMENT

Internal Audit Unit's annual audit plan included a review of Performance Information. The Committee had reviewed and considered the reports. It noted some weaknesses in the area of Performance Information and the strides that are being made by management to improve in this area. The capacity within the performance management unit has been improved on.

The performance management unit should consistently ensure that the Internal Audit Unit should review the Organisational Scorecard, Service Delivery & Budget Implementation Plan (SDBIP to ensure alignment with Integrated Development Plan (IDP) and compliance with SMART principles.

MONTHLY FINANCIAL MANAGEMENT REPORTS

Monthly management reports (S71 Reports) were reviewed by the Committee. These included bank reconciliations, debtors and creditors age analyses, income and expenditure reports and budget and variance reports. In many instances suggestions, recommendations, and/or requests from the Committee were implemented by management.

GOVERNANCE

The Committee noted the effort put by the municipality on filling of critical positions.

COMPLIANCE WITH LAWS AND REGULATIONS

The Committee has reviewed the effectiveness of the system for monitoring compliance with laws and regulations during the year. The compliance with key laws and regulations should be provided to the committee members.

EXTERNAL AUDIT BY AUDITOR-GENERAL (AGSA)

The Committee has reviewed the External Audit scope to ensure the critical areas within the Municipality are being addressed. In addition, the committee reviewed the audit report including issues arising out of the external audit.

Based on processes followed and assurances received from the Auditor-General, nothing has come to the committee's attention with regard to any matter concerning the independence of External Auditors.

The committee urges the municipality to review the AGSA audit and management report and ensure that all emerging risks are addressed in the next financial year.

CONCLUSION

The Committee notes the efforts by the municipality in making progress in trying to improve overall governance, systems of internal control, risk management and performance management.

The Committee wishes to express its sincere gratitude to the Council and all stakeholders for their support during the financial year.

Chairperson: Abaqulusi Audit Committee
Miss Sarah Dunmun
09 January 2026