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**Makana Municipality Audit and Performance Committee Report –
Audit Committee Meeting – Annual Report 2022/2023**

[Abstract](#)

This report covers the duties and responsibilities of the committee. The report further discusses the main issues identified for the attention of the Council and related parties.

Audit Committee Report

Honourable Speaker, Executive Mayor, Mayoral Committee, Management, Community of Makana Municipality, Auditor General, and all Key Stakeholders. We are pleased to present our report for the Audit Committee meeting that sat in the 2023/2024 Financial Year. This is the Annual report of the Audit Committee, and the report is based on the reports and recommendations as concluded at the Audit Committee meetings. The following matters are referred to Council for information or further action as may be deemed necessary.

Duties and Responsibilities of the Audit Committee

The primary purpose of the Audit Committee is to assist Makana Municipality Council in fulfilling its oversight responsibilities to ensure that the municipality has and maintains effective, efficient and transparent systems of financial management, risk management, governance and internal control processes.

The Audit Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003 and has endeavoured to comply with its responsibilities arising from those requirements. The Audit Committee has performed its duties according to its terms of reference in the form of an approved Audit Committee Charter.

The Audit Committee has no executive function and its primary objective is to review and review rather than assume responsibility for any matters within its remit.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. In terms of the Audit Committee Charter, the Audit Committee should consist of a minimum of three (3) members.

The current Audit Committee has held the following meetings during the year under review including special meetings:

Date	Prof W. Plaatjes Chairperson	Ms B. Mahlakahlaka	Mr W. Manthe
29 July 2022	√	√	√
28 August 2022 (Special)	√	√	√
24 October 2022	√	√	√
27 October 2022	√	√	√
23 January 2023	√	√	√
11 May 2023	√	√	√

The Audit Committee meeting is also attended by the following:

Honourable Speaker, Executive Mayor; Chairperson of the MPAC, Portfolio Head Finance, Municipal Manager, Treasury, Office of the AG, COGTA, Senior Management, Risk Committee Chairperson, Risk Manager, IDP/PMS Manager, ICT Manager, Internal Audit, Legal Manager and Management of the Municipality.

SECTION 52D REPORT

The Committee has been receiving the Section 32D report from the Management. The Audit Committee was concerned about the underperformance being incurred on both Revenue and Expenditure. The municipality billed only 84% the total Revenue that was budgeted for and they spent 69% of the total expenditure that was budgeted for. The Audit Committee is concerned that the non-cash items (depreciation and impairments) are not accounted for as they were causing an understatement on the Expenditure that has been incurred.

The municipality is also concerned that the Municipality has not managed to collect the amount of +-R97million on the revenue that was billed. The Audit Committee noted that the municipality has not managed to fully pay Eskom for the month of April and May. This might have a negative impact towards the municipality as there is a court order against the municipality.

The Audit Committee is concerned that the money that was paid for leave days amounted to +-R445 000 which might be an indication that Leave Reconciliations are not done and employees are not encouraged to take leave. The Audit Committee is concerned that the municipality has not been putting controls in ensuring that overtime is reduced as it amounted to R9.8million for 2022/2023 Financial Year.

We were also concerned that Capital Spending for the municipality was as follows:

GRANT FUNDING	% SPENDING
MIG	43%

WSIG	81%
FMG	6%
INEP	55%
Internal Funded	46%

The Audit Committee is also concerned that there are Councillors and Officials that are owing the municipality R56 000 and R2.5 million respectively as this will result to non-compliance with the MFMA, although it should be noted that there are payment arrangements for the officials that are in place.

We are also concerned that the system challenges are still not resolved as they were the main cause for the variances that were identified by the Office of the Auditor General.

Audit Committee's Recommendation

- That a detailed report with regard to the rollovers indicating what was applied for, what was approved and what was declined indicating the reasons why they were declined.
- That a register of UIFW should be compiled and monitored for what has been submitted to Council and written-off.
- That a detailed spending report on Capital Grants should be provided to the Audit Committee for comments.
- That a detailed plan should be provided to the Audit Committee on how the municipality will be dealing with the meters that are expiring in 2024.

SUPPLY CHAIN MANAGEMENT REPORTS

The Audit Committee has reviewed the reports on Unauthorised, Irregular, Fruitless and Wasteful from the CFO. The committee would like the SCM Unit to focus on the controls at the stores especially monitoring of fuel. We are also noting that the deviations are not being decreased as they amounted to R6.7million.

The Committee was also concerned of the Fuel Costs as on a quarterly basis they amounted to +-R500 000. The Audit Committee is however please to note that the MPAC is taking UIFW Expenditure to Council to be investigated.

Audit Committee Recommendations

- That the management should include more information in terms of indicating what has been recovered, investigated and written off;
- That the MPAC should develop a system of monitoring the register of UIFW on what has been written off by the Council with the dates of the Council Resolutions;
- That Treasury should advise the municipality on the items that are on the Irregular Expenditure and have no registers and supporting documents.

FINANCIAL RECOVERY PLAN

- The municipality has since started submitting a summary report on the Implementation of the Financial Recovery Plan although at has not yet yielded the results as the municipality is still experiencing financial constraints.

FILLING OF CRITICAL VACANT POSITIONS

- The Audit Committee is please that the critical position at the Management Level have since been filled but is concerned that the person responsible for the compilation of the AFS is still not prioritised.

AUDIT ACTION PLAN

The Audit Committee has received the Action Plan on the Final AG Report. The committee is concerned with the slow implementation of the recommendations from the Office of the AG.

Audit Committee Recommendations:

- That the detailed management report with all the findings be requested from the Office of the AG.

PERFORMANCE MANAGEMENT REPORTS

The Audit Committee has received the PMS report for the 04th quarter. The committee is concerned about the implementation of consequence management as the issue of late submission of PMS Reports by Directorates to the PMS Office is a recurring challenge. The committee is also concerned with the non-evaluation of performance information for Management.

Summary of the 04th Quarter Performance by Internal Audit

DEPARTMENT	TOTAL TARGETS	4th QUARTER	TARGETS MET	PARTIALLY MET	NOT MET TARGETS	N/A	%
Basic Service and Infrastructure Development	9	6	0	0	6	3	0,00
Community Safety and Social Development	8	7	5	0	2	0	71,43
Local Economic Development & Rural Development	9	6	0	0	6	3	0,00
Municipal Institutional Development	13	10	5	0	5	3	50,00
Financial Viability	12	10	7	0	4	2	70,00
Good Governance and Public Participation	11	5	0	0	5	6	0,00
Totals	62	44	17	0	28	17	38,64

Audit Committee Recommendation

- That the Municipal Manager should closely look at the poor performance of the municipality and further review that with the Performance Management Framework of the municipality.
- That the Municipality start the process of cascading PMS to all levels within the municipality.

RISK MANAGEMENT REPORT

The Audit Committee has reviewed the Risk Management Report from the Risk Chairperson. The Audit Committee is concerned with regard to the lack of prioritising the Risk Management Meetings as one meeting was cancelled due to poor attendance. The committee is pleased that the issues with the system for reporting fraud cases have been resolved.

Audit Committee Recommendation:

- That the Risk Committee should look at the impact and effects of the loadshedding within the municipality

and plans that the municipality can implement in the meantime

ICT REPORT

The ICT Report was received from the ICT Manager. The Audit Committee is concerned about the number of cyber treats that the municipality is getting, although we are however pleased that the ICT Unit has controls in place to detect them timeously. The Committee is however concerned that the ICT Unit does not have sufficient budget to meet the challenges that the municipality is facing.

The Committee is concerned that the procurement plan was amended affecting the functioning of the ICT Unit.

Audit Committee Recommendations

- That the ICT Manager should do costing of the budget that the ICT Unit require for their systems to meet the challenges of the municipality;
- That the ICT Governance documents and policies are taken to Council for approval.

CORPORATE SERVICES REPORTS

The Audit Committee is pleased that the overtime is now within the budget. It should however be noted that overtime payment is still high and the two Service Delivery Departments are still leading and the municipality is still spending +-R1million on a monthly basis.

The committee has received the Job Evaluation report from the Corporate Services Director. The committee recommends that the municipality should do a costing of the implementation of the Job Evaluation results and that the reported be audited.

Audit Committee Recommendations

That each directorate should indicate the controls that they are putting in place to ensure that overtime is reduced.

INTERNAL AUDIT REPORT

The committee received the following reports for 2022/2023 Financial Year:

- Leave Management,
- Review of the AFS
- Review of the APR
- 01st, 02nd, 03rd and 04th quarter PMS Report,
- Follow-Up on IA report

- Follow-Up on AG's Report
- UIFW Report
- Revenue Management

The committee is concerned with the slow implementation of the Internal Audit recommendations. We are further concerned on the level that management responds to the Internal Audit Report.

Appreciation

The Audit Committee expresses its sincere appreciation to the Honourable Speaker, Executive Mayor and entire Council, Municipal Manager, Senior Management Team, the Internal Audit Unit and the Auditor-General of South Africa.

Chairperson of the Audit and Performance Committee

Prof. W. Plaatjes

Date: 03 April 2024