

SUPPLEMENTARY ANNUAL REPORT OVERSIGHT REPORT 2019/20

This supplementary Oversight Report is based on the remaining core components of the Annual Report 2019/20 and is drafted and submitted in accordance with the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)



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1. INTRODUCTION

The annual report is one of the key instruments of transparent governance and accountability. It is a post-financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial year, which in this instance relates to the 2019/20 financial year. The tabling and adoption of the annual report is a legislative requirement in terms of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

1.1 PURPOSE

The purpose of this report is to present to Council for adoption, the remaining core components of the Annual Report 2019/20 as well as the supplementary Oversight Report on the Annual Report 2019/20 as contemplated in terms of Section 129 of the MFMA.

2. ANNUAL REPORT 2019/20

2.1 LEGAL FRAMEWORK

Herewith an extract from the key legislative requirements as per MFMA relating to the annual report:-

121. Preparation and adoption of annual reports.

- (1) *Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
- (2) *The purpose of an annual report is—*
 - (a) *to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*
 - (b) *to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
 - (c) *to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.*

127. Submission and tabling of annual reports

- (2) *The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.*

129. Oversight reports on annual reports.

- (1) *The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council—*
 - (a) *has approved the annual report with or without reservations;*
 - (b) *has rejected the annual report; or*
 - (c) *has referred the annual report back for revision of those components that can be revised.*

2.2 COMPONENTS OF THE ANNUAL REPORT

The format of the Annual Report 2019/20 is based on the annual report template issued by National Treasury in terms of the MFMA Circular 63 of 2012, which differs significantly from the Annual Report Guidelines (MFMA Circular 11) issued by National Treasury in 2005.



MFMA Circular 63 of 2012 comprises six (6) chapters and attempts to cover all the aspects that needs to be reported on as derived from the MFMA and the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

In terms of Section 121(3) of the MFMA, the Annual Report of a municipality or municipal entity must include the following core components. These core components are normally annexed to the Draft Annual Report when presented to Council:

- a) The Annual Financial Statements as submitted to the AGSA (Section 121(3)(a));
- b) the AGSA's audit report in terms of section 126(3) on those financial statements (Section 121(3)(b));
- c) the annual performance report of the municipality prepared by the municipality in terms of Section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) (Section 121(3)(c));
- d) the AGSA's audit report in terms of section 45(b) of the MSA (Section 121(3)(d)); and
- e) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d) in the MFMA (Section 121(3)(g)).

At the time of deliberating on the Annual Report 2019/20, the report from the Auditor General of South Africa (AGSA), as contemplated in terms of Section 121(3)(b) and (d), was not yet available.

The Oversight Report on the Annual Report 2019/20 was, subsequently, adopted by Council on **26 May 2021** with the following reservation that, as soon as the AGSA's report for the 2019/20 becomes available, that it be submitted to the MPAC and Council for consideration.

The AGSA's report was signed on 13 July 2021. The Audit and Performance Audit Committee (APAC) then also concluded its annual report and both reports were submitted to Council for consideration on 28 July 2021.

3. ANNUAL REPORT 2019/20 CONSULTATION AND ADOPTION PROCESS

3.1 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

In terms of Council resolution, a Municipal Public Accounts Committee (MPAC) was established in terms of Section 79 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998). The Terms of Reference tasks the MPAC with the responsibility to perform an oversight role over the process of preparing the Annual Report of Council and to produce an Oversight Report based on the Annual Report.

The schedule of MPAC meetings was presented in Council on **31 March 2021** and published on the Municipal Website and in the local newspaper. As required by the MFMA, the Municipal Manager attended the Council Meeting where the Annual Report 2019/20 was tabled (31 March 2021) to be released for public comment as well as the MPAC Meeting to answer questions posed by MPAC Members and to respond to written and oral representations from the community.

The attendance of MPAC members for the purpose of discussing the remaining core components of the Annual Report 2019/20 is recorded as follows:



TABLE 3:1: MPAC MEETING ATTENDANCE

Name	MPAC Meeting
	05 August 2021
Cllr Wilfred Pietersen (MPAC Chairperson)	
Cllr Malcolm Johnson (MPAC Member)	
Cllr Siegfried Schäfer (MPAC Member)	
Cllr Nokuthula Gugushe (MPAC Member)	
Cllr Emily Fredericks (MPAC Member)	
Irmela Alberts (Co-opted Member)	
Jacobus Davids (Co-opted Member)	

- Attended - Absent with an apology - Absent without an apology

3.2 ADOPTION AND PUBLIC CONSULTATION PROCESS

The remaining core components of the Annual Report 2019/20 was tabled to Council on **28 July 2021**.

The remaining core components of the Annual Report 2019/20 were advertised in the local media and on the municipality's website. Community members and interested and affected parties were invited to submit any input/s on or before **19 August 2021**.

No inputs were received from community members and or any other interested and affected party/s.

An MPAC meeting was held on 05 August 2021 to discuss the remaining core components of the Annual Report 2019/20.

3.3 MATTERS DISCUSSED BY THE MPAC

The MPAC Members noted the remaining core components of the Annual Report 2019/20 and congratulated the municipality for the audit outcome as communicated in the AGSA Audit Report 2019/20

4. CONCLUSION

As Chairperson of the MPAC, I would like to thank the MPAC Committee Members, the Executive Mayor and Mayoral Committee, the Municipal Manager, Directors, Senior Managers, as well as all the officials for their contribution to the achievement of the audit outcome. The "clean audit" outcome is testament of the municipality's commitment to service delivery and good governance. Their diligence and constructive commitment during this oversight period is noted and appreciated.

5. RECOMMENDED RESOLUTION TO BE ADOPTED BY COUNCIL

In accordance with Section 129(1) of the MFMA it is **RECOMMENDED** to Council:-

1. That Council, having fully considered the supplementary Oversight Report on the Annual Report 2019/20 of the Stellenbosch Municipality, **ADOPTS** the supplementary Oversight Report 2019/20 without any reservations;
2. That Council, having fully considered the remaining core components of the Annual Report 2019/20, attached hereto as Annexure A and B of the supplementary Oversight Report on the Annual Report 2019/20, **APPROVES** that the remaining core components of the Annual Report 2019/20 be inserted in the Annual Report 2019/20;



3. That the supplementary Oversight Report 2019/20 be made public in accordance with Section 129(3) of the MFMA; and
4. That the supplementary Oversight Report on the Annual Report 2019/20 be submitted in accordance with Section 129(2)(b) and 132(2) of the MFMA to the Auditor General of South Africa, Provincial Treasury: Western Cape, Department of Local Government: Western Cape and the Provincial Legislature: Western Cape.


CLLR WILFRED PIETERSEN
MPAC CHAIRPERSON

DATE: 8/9/2021



Annexure A:

**AGSA's 2019/20 audit report for the Stellenbosch
Municipality**

Report of the auditor-general to the Western Cape Provincial Parliament and council on the Stellenbosch Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Stellenbosch Municipality set out on pages 5 to 143, which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Stellenbosch Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 16 of 2019 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 61 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2020.

Material impairments

8. As disclosed in note 5 to the financial statements, the municipality provided for impairment of receivables from exchange transactions of R151,4 million (2018-19: R142,8 million).
9. As disclosed in note 6 to the financial statements, the municipality provided for impairment of receivables from non-exchange transactions of R153,4 million (2018-19: R167,5 million).

Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure note

11. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected strategic focus area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic focus area presented in the municipality's annual performance report for the year ended 30 June 2020:

Strategic focus area	Pages in the annual performance report
Strategic focus area 4 – dignified living	16 to 18

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic focus area:
- Strategic focus area 4 – dignified living

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on pages 16 to 18 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
24. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

25. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected strategic focus area presented in the annual performance report that have been specifically reported in this auditor's report.
26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic focus area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
29. I have nothing to report in this regard.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
31. I did not identify any significant deficiencies in internal control.

Auditor - General

Cape Town

13 July 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected strategic focus area and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Stellenbosch Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied.



Annexure B:

APAC Report 2019/20



STELLENBOSCH

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Report of the Audit and Performance Audit Committee

This report of the Audit and Performance Audit Committee of Stellenbosch Municipality is in respect of the 2019/2020 financial year. The Audit and Performance Audit Committee has complied with its responsibilities in terms of Section 166 of the MFMA and applicable Treasury Regulations. The Committee has also regulated its affairs and discharged its responsibilities concordant to the approved Audit Committee Charter. The Committee's operation is guided by the International Institute of Internal Auditor's Standards and the King IV report on Corporate Governance.

The Committee consists of four independent members, elected by the Council: Len Mortimer (Chairperson), Tsepo Lesihla, Vincent Botto and June Williams. The Council appointed the Chairperson of the Committee, an independent member. The Municipal Manager, Chief Financial Officer, Directors, Chief Audit Executive, Senior Manager Governance, Chief Risk Officer, MPAC Chairperson, and External Auditors are permanent invitees to the Committee meetings.

Execution of Functions

The Audit and Performance Audit Committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the Council's accounting, internal auditing, internal control, governance, risk management and financial reporting practices.

During the year under review, the Committee, amongst other matters, considered the following:

1.1 In respect of the External Auditors and the External Audit

- i. Approved the External Auditors' (Auditor-General of RSA) terms of engagement, the audit plan and budgeted audit fees payable;
- ii. Engaged and interrogated extensively the External Auditors' report and management report of the Auditor General at the Audit and Performance Audit Committee meeting dated 29th June 2021;
- iii. Considered the audit outcome of the Municipality extensively and communicated the Audit and Performance Audit Committee's satisfaction and congratulated the Accounting Officer and Management on the Clean Audit Outcome;
- iv. Based on the audit outcome recommendations were made by the Audit and Performance Audit Committee on the other important matters as well as control deficiencies identified in the Auditor-Generals' report;

- v. Management have been requested by the Audit and Performance Audit Committee to implement processes and reconciliations of transactions;
- vi. Management are urged to strengthen controls to adequately monitor non-compliance with laws and regulations on a timely basis;
- vii. Management need to concentrate on accurate presentation and review of the Annual Financial Statements submitted to the Auditor General for audit;
- viii. The supervision and review process need to be addressed to prevent, detect and correct misstatements on a timely basis and the controls designed to monitor compliance with regulations that are not always able to prevent or report the instances of non-compliance in a timely manner to allow for corrective action;
- ix. The quality of submitted financial statements and the compliance with the requirements of the supply chain management are still matters that can be improved on; thus, management is encouraged to develop action plans early to allow for the improvement in the next reporting cycle;

1.2 In respect of the Annual Financial Statements (AFS)

- i. Confirmed the going concern as the basis of preparation of the Interim and Annual Financial Statements;
- ii. Examined, reviewed and interrogated the Annual Financial Statements, performance report as well as financial information disclosed to the public prior to submission and approval by Council;
- iii. Reviewed reports on the adequacy of the portfolio and specific impairments and impairment of other assets;
- iv. Ensured that the Annual Financial Statements fairly represented the financial position of the Stellenbosch Municipality as at the end of the financial year in accordance with SA Standards of GRAP and in the manner required by the MFMA and DORA;
- v. Considered the appropriateness of accounting treatments, significant unusual transactions and management accounting judgements;
- vi. Considered the appropriateness of the accounting policies adopted by Management and changes thereto;
- vii. Through the Chairperson, met separately over the course of the year with the Chief Audit Executive, CFO, Chief Risk Officer, Management and the External Auditors (Auditor-General of RSA);
- viii. Reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- ix. Noted that there were no material reports or complaints received concerning accounting practices, internal financial controls, content of Annual Financial Statements, internal controls and related matters.

1.3 In respect of Internal Control and Internal Audit

- i. Reviewed and approved the Internal Audit mandate, annual and three-year rolling audit plans and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its mandate;
- ii. Considered reports of the Internal and External Auditors on Council's system of internal control, including internal financial controls and maintenance of effective internal control systems;
- iii. Reviewed significant issues raised by the internal audit process and the adequacy of corrective action in response to such findings;
- iv. Reviewed significant differences of opinion between the Internal Audit function and Management and noted that there were no material issues of difference raised and all matters were addressed and resolved;
- v. Assessed the adequacy of the performance of the Internal Audit function and found it to be effective in providing assurance;
- vi. Reviewed the External Quality Assurance Review conducted by an independent Quality Assurance Provider on Internal Audit as required by the IIA Standards;

- vii. Assessed the adequacy and sufficiency of available Internal Audit resources and found **them** to be very limited as more resources are required to evaluate the control weaknesses and high-risk areas identified in both the corporate strategic risk, external audit and the audit universe;
- viii. Received assurance that proper and adequate accounting records were maintained and that systems safeguarded the assets against unauthorised use or the disposal thereof; and
- ix. Based on the above, the Committee **were of** the opinion that at the date of this report, there were breakdowns in internal control, including internal financial controls, for the year under review in the following areas:
 - Supply Chain Management. The Audit and Performance Audit Committee felt strongly that controls in this area require urgent strengthening. Training interventions and, in some instances SOP's are required and monitoring by the CFO and MM in these areas as well as in:
 - Contract Management;
 - Pre-determined objectives;
 - Monthly or regular reconciliations of assets, debtors, and creditors;
 - Compilation of mid-year or interim AFS;
- x. In addition, the Committee noted Management's improved responses to conclude on internal and external audit findings from the prior and current year as reported in the internal audit follow up reports.

1.4 In respect of Legal and Compliance with Laws and Regulations

- i. Reviewed with management matters that could have a material impact on Council;
- ii. Monitored compliance with the MFMA and other key legislation applicable to the Municipality, requirements of National and Provincial Treasury, Council's policies, and all other applicable legislation and codes of good governance;
- iii. Reviewed reports from the Internal and External Auditors detailing the extent of compliance.

1.5 In respect of Risk Management, Combined Assurance and Information Technology

During the period under review, Management presented Strategic and Operational Risk profiles for the Municipality to the Audit and Performance Audit Committee who :

- i. Considered and reviewed reports from Management on risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment;
- ii. In respect of the coordination of assurance activities, the Committee reviewed the plans and work outcomes of the external and internal auditors and concluded that these were adequate to address all significant financial, operational and compliance risks facing the Municipality;
- iii. Noted the progress made in terms of Combined Assurance and the co-ordination between assurance providers to mitigate the top 10 strategic risks facing the Municipality as well as the emerging risks;
- iv. The Audit and Performance Audit Committee, in respect of compliance, notes an emerging risk and expresses concern with non-compliance with the SCM regulation and policies; and
- v. The Audit and Performance Audit Committee took cognisance that Information Technology and IT systems controls have improved in the Auditor General's Management report.

1.6 In respect of Pre-Determined Objectives (PDO's)

The Audit and Performance Audit Committee:

- i. Noted the need that management should ensure the accurate and reliable reporting of PDO's and the reporting on the top-layer SDBIP; and
- ii. The quality of submitted performance information in the Management report is indicated as satisfactory. There were no material findings reported on performance information by the Auditor General and Internal Audit, respectively.

1.7 In respect of the Finance Function

The Audit and Performance Audit Committee:

- i. Considered the existing expertise, resources and experience of the organisation-wide finance functional capacity and concluded that it needs to be monitored and evaluated and addressed as it appears to be the root cause of the errors in the AFS submitted to the Auditor General.
- ii. The Chief Financial Officer should ensure appropriate measures are in place for the accurate and timeous submission of information to the office of the Auditor-General.

1.8 Independence of the External Auditors

The Audit and Performance Audit Committee is satisfied that the Audit General of RSA (AGSA) were independent of the Council. This conclusion was arrived at, inter alia, after taking into account the following factors:

- i. The presentations made by the Auditor-General to the Audit and Performance Audit Committee;
- ii. The Auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors; and
- iii. The Audit and Performance Committee met with the External Auditors independently of management.

1.9 General

- i. The Audit and Performance Audit Committee has monitored quarterly the Municipality's implementation plan for audit issues raised in the prior year and are satisfied that the matters have been adequately resolved. Of all the matters raised in the 2019/20 audit outcome, no repeat-findings occurred from the prior year. The Audit and Performance Committee has raised its concern around the other important matters raised in the Auditor-General's Management Report. The Municipal Manager has given assurance that all of these will be addressed as urgent and tracked for the 2020/2021 financial year.
- ii. The Audit and Performance Audit Committee concurs and accepts the conclusions of the External Auditor on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Stellenbosch Municipality has progressively been stable in the areas of second and third levels of assurance and governance over a three year period. There has also been stability in the leadership over the past five financial years. The only area for concern, and where attention is required, is financial and performance management over processing and reconciliation controls. The Audit and Performance Committee has made recommendations in this area which management have committed to.

1.10 Conclusion

I am extremely grateful to the members for their professionalism and diligence in their duties, as well as their flexibility in accommodating last-minute calls to duty. We are fortunate to have the diversity of skills and expertise available to the Municipality. It would be amiss not to convey on behalf of the Committee our appreciation to the Mayor, the entire Council and its Committees for the leadership, support and oversight they have provided during the year.

Finally, the Audit and Performance Audit Committee would like to express its appreciation to Management, Internal Audit, Risk Management and the Auditor General for the support and co-operation extended during the financial year and for providing the relevant information to enable the Audit and Performance Audit Committee to compile this report. This past year was indeed trying and Stellenbosch Municipality should be proud of its elected and appointed leaders for taking control and driving an agenda of sustainability and service delivery and improving its audit results in the process.

On behalf of the Audit and Performance Audit Committee.



Dr Llewellyn Nimrod Mortimer
Chairperson Audit and Performance Audit Committee
30 June 2020