



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Minutes of meeting

Name of meeting: Audit Steering Committee meeting

Date: 06 September 2018

Venue: Matjhabeng Local Municipality, T S Du Plessis Hall, 4th floor

Points of discussion	Person responsible
<p>1. Opening and welcome</p> <p>Mr T Tsoaeli commenced the meeting at 10:16 AM and welcomed everyone to the meeting. The chairman asked if everyone had received the Agenda for the meeting as well as the minutes of the previous meeting. The chairman then confirmed that the AGSA team received the 2017/18 annual financial statements of the Municipality.</p>	Chairperson
<p>2. Presence and Apologies</p> <p>The following apologies were noted:</p> <ul style="list-style-type: none">- Mr T Panyani (Chief Financial Officer)- Mrs B Maswanganyi (Director: Infrastructure) – Resigned (31/08/2018)- Ms D Masheane (Senior Manager: AGSA) – late arrival (10:25 AM) <p>Please refer to the attendance register for the list of attendees.</p>	AGSA/ Matjhabeng
<p>3. Adoption of Agenda</p> <p>The agenda was adopted without changes.</p>	AGSA/ Matjhabeng
<p>4. Minutes of Previous Meeting</p> <p>Mr R Khangale led the inspection of the previous meeting's minutes. The following points were emphasised:</p> <ul style="list-style-type: none">- Mr Khangale confirmed that the audit team is receiving responses to the requests for information after raising the issue in the previous meeting. The RFI register will also be discussed.- The chairman and Mr Khangale confirmed point 6. <i>Records Review</i> – the records review is complete and the report will be tabled in the next meeting.- The chairman recommended that the audit committee should meet with the audit team as early as next week if possible to discuss the audit strategy.- Mr Khangale confirmed that the IT team will be coming next week to start with the audit of the IT systems.- The standing matters remain the same for every meeting, however point 9.4 <i>Audit Fee</i> was confirmed – The matter has been settled as the outstanding R3 million was paid to AGSA by the end of July 2018. The chairman confirmed that R1 million of this settlement was paid by Treasury and the	AGSA/ Matjhabeng

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<p>balance was paid by the Municipality.</p> <ul style="list-style-type: none"> - It was agreed that the meeting was closed by Mr T Panyani after indicating that the next meeting would take place on the following Thursday at 10:00 AM. 	
<p>5. Request for information and Communications</p> <p>The chairman indicated to the management of the municipality that there is a need for all officials to move to electronic media for conducting meetings as there was a lack thereof during the meeting.</p> <p>Ms Masiu then presented the status of the request for information register, indicating that the responses to following requests for information were outstanding:</p> <ul style="list-style-type: none"> - RFI 2 – a document was received by the audit team however it was not accepted. - RFI 13 – relating to the outstanding tender register and procurement meeting minutes. - RFI 30 – relating to the VAT system description - RFI 32 – relating to employee cost system description <p>Ms N Mochochoko then explained that the annual procurement plan in response to RFI 2 is with the CFO and he is working on correcting the document for submission together with the procurement meeting minutes and the tender register in response to RFI 13. The documents requested in RFI 30 are ready for submission pending the Municipal Manager's signature and RFI 32 will also be responded to today.</p> <p>The chairman asked that all requests for information be responded to by the end of business today.</p>	<p>AGSA/ Matjhabeng</p>
<p>6. Engagement Letter</p> <p>Mr Khangale introduced Ms D Mofokeng and indicated that she will be discussing the audit engagement letter. Ms Mofokeng then went on to explain that she will only be emphasizing non-standard items on the engagement letter and continued to discuss these. The following paragraphs of the engagement letter were not emphasised as they were indicated as standard paragraphs in an engagement letter:</p> <ul style="list-style-type: none"> - 3,4,5,6,7,8,16,49 and 50. <p>The chairman then explained that Mr Golele was appointed as Acting Director: LED and Planning on 30 August 2018 by the municipal council.</p> <p>There is currently no replacement for the Director: Infrastructure however the Municipal Manager has requested that the Director: Strategic Support, Mr T Makofane, coordinates activities in the Infrastructure department.</p> <p>Mr Khangale then confirmed the following regarding requests for information:</p> <ul style="list-style-type: none"> - Where a request for information is made out and sent before 14:00 during a particular day of the work-week, the request is dated as the day on which it was sent and is due, at the latest, two <i>working</i> days later. 	<p>AGSA/ Matjhabeng</p>

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<p>- Where a request for information is made out and sent after 14:00 during a particular day of the work-week, the request is dated as the following working day and is due, at the latest, three <i>working</i> days later.</p> <p><i>For example: Where a request is made out on a Thursday before 14:00, it will be due on the following Monday. However, where a request is made out on a Thursday after 14:00, it will be dated as Friday and will be due on the following Tuesday.</i></p> <p>The same principle holds true for Co-AFS as well, the difference being that a five day response period is given for these types of requests.</p> <p>Ms D Masheane then reiterated that the audit team will do its best to issue audit communications as they happen in order to avoid inundating the municipality's staff with requests at one time, making deadlines particularly difficult to meet. She also emphasised the need for the management of the municipality to prioritise requests from the beginning and not only respond to issues.</p> <p>The chairman agreed and confirmed the municipality's goal to work in synergy with the audit team. He also insisted that he will personally be keeping tabs on the status of request responses to ensure the given deadlines are met.</p> <p>Mrs N Mosowe confirmed, at this stage, that RFI 30 was sent out on 30 August 2018 and responded to on 30 August 2018 but she and her team will meet with the audit team and show the signed acknowledgements to help them update their register.</p>	
<p>7. Audit Strategy</p> <p>Mr Khangale introduced Mr L Mohorosi and indicated that he will be discussing the audit strategy. Mr Mohorosi then indicated that he will not be going over all paragraphs as many of the details thereof were already discussed in the engagement letter. He proceeded to highlight the following paragraphs:</p> <ul style="list-style-type: none"> - 1,2,3 - 6 – also corrected the due dates related to the final management report (26 November 2018) and audit report (30 November 2018). - 12,13,14 - 24,25,27,28,29 - 40,41,42,43,44,45 - 46 – emphasised 3 key dates for points 10, 12 and 13. - 47 – corrected the 2017/18 budgeted audit fee indicated as R9,6 million to be R9,9 million. This increase is due to tariff increases as well as the planned audit of the municipality's Solar system and the audit of application controls of certain financial statement items. <p>The chairman then asked to discuss the following points further:</p> <ul style="list-style-type: none"> - The dates as outlined in the timetable of key events during the audit - The chairman asked that management uses these dates as signals to ensure that the audit stays on track and the audit team and management works well together to finish on time. - The composition of the audit team – Mr Khangale clarified that the audit 	<p>AGSA/ Matjhabeng</p>

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<p>team will comprise members from AGSA as well as two auditors from Maine Consulting, four auditors from Fourie and Fouche and one auditor from PKF accounting firm. The chairman acknowledged this and asked that the composition list be updated by AGSA to include these outsourced members and their related experience. Mr Khangale responded to say that the list will be updated with those members who are confirmed to be on the team as of today. One SALGA representative expressed that it needs to be established, with specific reference to trainee auditors, whether they have the attended the required training on local government provided by SALGA on an annual basis. SALGA's position is that auditors without sufficient experience in local government audits should rather not be part of the audit team. Ms Masheane clarified that trainee auditors are given on-the-job training as far as local government audits are concerned; However, the audit team has enough audit seniors and managers to ensure that trainees are guided and their work is reviewed before it is relied on. The chairman emphasised that the municipality wishes to ensure that the audit team is aware of the difficulties faced due to the implementation of the MSCOA reporting style.</p> <ul style="list-style-type: none"> - Table on page 13 of the audit strategy – Ms Masheane asked to update the dates for points 14 and 15 in the table. The chairman acknowledged Ms Masheane's recommendation of 10 January 2019 and 18 January 2019 respectively. The chairman then asked to get back to Ms Masheane at a later time regarding these dates. - Trainee auditors – Mr N Mokhonoane requested that trainee auditors be removed from the audit of the municipality due to their lack of exposure to the specific government environment. The chairman acknowledged his request but expressed that Ms Masheane clarified the matter of the trainees and the municipality can rest assured of the quality of the audit engagement and outcome. 	
<p>8. Standing Matters</p> <p>Ms Masiu led the discussion of the standing matters. These items will be considered during every meeting.</p> <p>9.1 Fraud Considerations</p> <p>If anyone is aware or becomes aware of any instances of fraud or fraud indicators, they should not hesitate to make the audit team aware as well.</p> <p>9.2 Independence of the engagement</p> <p>Ms Masiu expressed that the members of the audit team are still independent and have not been unduly influenced. However if anyone feels differently, they are urged to come forward with this information to the managers of the audit team.</p> <p>9.3 Related parties:</p> <p>If anyone is aware of related party transactions that were not disclosed in the annual financial statements, they are also urged to make the audit team aware.</p>	<p>AGSA/ Matjhabeng</p>

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9.4 Audit fees Ms Masiu confirmed that she sent an invoice regarding the audit fee to the chairman yesterday and copied the CFO and Expenditure Manager in the email. The chairman acknowledged receipt of the invoice and agreed that it will be paid within the mandated 30 day period.	

10 Closure:

The chairman indicated that the audit steering committee has a standing meeting for Thursdays at 10:00 AM in the T S Du Plessis Hall.

The chairman asked the audit team if they were satisfied with their work space and if there were any accommodations the municipality can make. Ms Masiu asked for the remote to the air conditioner.

The chairman asked about Mrs Nokwanda, the Acting Manager: PMU, as she was absent without an apology at the meeting and expressed that it is important for her to be present to be aware of matters that concern her department as the audit focus area is around, among others, service delivery (infrastructure and community services).

The chairman thanked everyone for attending and confirmed that the next meeting will be on 13 September 2018. The meeting was then adjourned at 11:19 AM.

Signatures:

Chairperson

Date

Secretary

Date