



Quarterly Chairperson's Report

Period 1 October 2015 to 31 December 2015

ANNEXURE TO ITEM
C 29/04/16

The Audit Committee (AC) is appointed by Council, in terms of the Local Government Municipal Financial Management Act (MFMA) Section 166. Within the scope and in accordance with the AC's terms of reference, it seeks to provide Council with an update of the last quarter's activity. Note that the minutes of the February 2016 AC meeting will only be approved at the next meeting.

The purpose of this report is to:

- Share matters for Council's attention
- Highlight governance, risk and control issues
- Provide an early escalation process in addition to the formalised minute of AC Meetings reported to Council on a regular basis.

The block to the right draws specific attention to items that need to be brought to Council's notice.

At its meeting on 18 February 2016, the following matters pertaining to the period 1 October 2015 to 31 December 2015 (quarter 2) were discussed:

- a. The Financial Monitoring Report for the quarter ended December 2015 in order to provide a high level overview of the organisations financial viability and sustainability
- b. The Management Audit Action Plan for 2014/2015
- c. The Cape Town International Convention Centre Ltd Audit Committee minutes, dated the 19 August 2015
- d. The Annual Report on Environmental Compliance Register for the City for period 1 July 2014 to 30 June 2015
- e. The progress with the Ethics programme in the City
- f. The Quarterly Report from the City's Risk Management Committee (RISKCO)
- g. The Progress report on the Combined Assurance roll-out plan
- h. The Internal Audit Department's Performance for the quarter ended 31 December 2015
- i. Other Internal Audit matters (internal audit annual independence statement, audit plan progress, audit findings, follow-up audits, resources, and performance KPI's, quality assurance and improvement programme)
- j. The Annual Report to the Municipal Public Accounts Committee (MPAC) for the year ended 30 September 2015

Note the AC Chair attended the MPAC meeting in February 2016 as an observer. The meeting considered the annual report of the AC to MPAC.

FOR COUNCIL'S ATTENTION:

The Audit Committee (AC) is concerned about the risks the City faces with respect to:

- **Housing Accreditation of the City by Province/National**

The AC requires further information on the status of the accreditation and the impact on the City if the accreditation is not granted. Additionally, the AC requests clarification on mechanisms in place to manage the results from National, if they are not favourable.

- **Cape Town International Convention Centre**

The AC members acknowledge the good performance of CTICC but require further information from the City and the CTICC concerning the representation of the City on the Board of Directors of the CTICC in terms of the Municipal Finance Management Act (MFMA) and the shareholders agreement.

- **Environmental Issues**

The AC members require further information on the environmental risk plan and the steps taken by the City to avoid sewage spills into the environment, given the consequential negative impact to public health and the City's reputation/brand value.

Quarterly Chairperson's Report – 31 December 2015 (continued)

Governance, Risk and Control Comments

The AC remains concerned about the following matters which have been previously brought to Council's attention and which the AC members will continue to monitor closely:

1. The Management Action Plans on Audit findings

The AC is concerned about the external audit findings in the Management Report which are not resolved as this could impact the City's clean audit report from the AG in future.

In addition non-implementation of some of the Internal Audit findings by Line Managers as well as consequence management, as this could have a negative impact on the control environment of the City.

2. Financial Monitoring report: December 2015

The AC remains concerned about the following and has requested further information:

- Cash flow for 3 years
- City's investment policy
- City's borrowing policy
- Capital schedule
- DORA and Grant funding

3. Transport for Cape Town

The AC remains concerned about the long-term economic viability and sustainability of the IRT (MyCiti) system, and the high risk of financial strain that this may put on the City. The City is also requested to provide further information to the AC on risks relating to "Transport for Cape Town".

4. Water and Electricity

The AC noted that the City implemented Phase 2 Water restrictions with effect from January 2016. The AC has not seen the contingency plan should early winter rains not fall especially in the northern catchment areas.

The AC will continue to monitor the status quo and any risk of load shedding as well as the above inflation increases on the City's revenue and services.

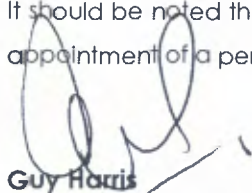
5. Corporate Risk Register

The AC recommends that the risks in the City's Corporate Risk Register should be prioritised according to the rating of the residual risk. The various management tiers including Mayco and EMT should focus on the higher residual risks and any new critical risks arising since last assessment.

6. Sustainability

In the current economic environment the sustainability of above inflation rates and services increases needs close examination.

It should be noted that the Audit Committee is pleased with the appointment of a permanent Chief Audit Executive



Guy Harris
Chairperson of the Audit Committee

31 December 2015

STATISTICAL INFORMATION:

During the quarter October to December 2015, the following meeting was held

Date	Meeting Type	Purpose
27 November 2015	Quarterly meeting	Activities as required in terms of the Audit Committee annual work plan