1. INTRODUCTION

We are pleased to present our Annual Audit Committee Report for the financial year ended 30th June 2010.

2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Number of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Seth Radebe (Chairman) - External</td>
<td>7 out of 7 meetings attended</td>
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<tr>
<td>Mr. Bashir Ahmed - External</td>
<td>6 out of 7 meetings attended</td>
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<tr>
<td>Mr. Willy Huma - External</td>
<td>5 out of 7 meetings attended</td>
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<tr>
<td>Mr. Protas Phili - External</td>
<td>3 out of 7 Meetings attended</td>
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<tr>
<td>Mr. Joseph Makoro – External</td>
<td>3 out of 7 meetings attended</td>
</tr>
</tbody>
</table>

During the financial year, 7 meetings were held.

Other regular attendees were the following:
- Municipal Manager,
- Chief Operation Officer,
- Chief Financial Officer,
- MMC: Finance,
- Manager: Internal Audit,
- Auditor General representatives,
- DLG representatives,

3. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter and has regulated its affairs in compliance with this Charter. The Charter is regularly updated and complies with principles of good governance and with the requirements of the Municipal Finance Management Act 53 of 2003. In the conduct of its duties, the Audit Committee has performed the following activities:

- The quality and integrity of the financial reporting process,
- The system of internal control,
- The organisation’s process for monitoring compliance with laws and regulations and code of conduct,
- Internal and External Audit functions,
- Performance Management,
- The risk management and governance process.

4. REPORT ON THE OPERATIONS OF THE AUDIT COMMITTEE

4.1. SYSTEM OF INTERNAL CONTROLS

We have reviewed various reports made by the internal and external auditors, reports on the adequacy and effectiveness of internal control systems. We have also reviewed the external auditors’ reports on
the annual financial statements. In terms of these reports, there has been significant or material non-compliance with prescribed policies, procedures and internal controls other than those referred to in the audit report of the external auditors to the annual financial statements.

The Audit Committee notes that management has taken appropriate action in trying to address the control weakness identified by the internal and external auditors in their reports. These action plans undertaken by management would be monitored and reviewed on regular basis and reported as such to the Mayoral Committee.

4.2. THE EFFECTIVENESS OF THE INTERNAL AUDIT UNIT

We approved the 2009/10 Annual Internal Audit Plan at our meeting in November 2009. The Manager/Acting Manager Internal Audit attended all our meetings during the financial year and provided the following information:

- Quarterly progress reports against the audit plan, which also highlighted any changes to be effected,
- All internal audit reports and key findings for our scrutiny,
- Progress by management on implementing agreed actions plans that addresses issues raised,

For the financial year 2009/10 the internal audit unit completed 15 risk based audits out of 16 which were planned.

The Internal Audit unit also concluded 5 out of 7 management requests that came from amongst others, the Audit Committee, Management and National Anti-Corruption Hotline. Furthermore, the Internal Audit unit also conducted an investigation at the Westonaria Local Municipality at the request of that Municipality.

Further, the Internal Audit unit also completed three performance reviews.

The internal audit unit shared the results of their work with the external auditors who placed reliance on their findings.

4.3. EVALUATION OF THE FINANCIAL STATEMENTS

The external audit was conducted by PWC on behalf of the Auditor General. PWC presented its Audit Strategy and Scope during our September meeting.

The Audit Committee has reviewed:

- The audited annual financial statements to be included in the annual report,
- The auditors management letter and management response,
- The appropriateness of accounting policies and practices,
- Significant adjustment resulting from the audit.

The Audit Committee concurs with and accepts the conclusions of the auditors on the annual financial statements and is of the opinion that the audited annual statements be accepted and read together with the report of the auditors.
4.4. RISK MANAGEMENT AND GOVERNANCE PROCESS

An Enterprise Wide Risk Assessment project was conducted during the financial year 2009/10 and the results together with an Enterprise Wide Risk Management Framework and Policy was submitted to the Committee for review and approval at its meeting of May 2010. The risk register consisting of the most significant risks at an organizational and departmental level was approved by the Committee. The Committee notes that management will provide action plans to deal with those risks areas.

4.5. PERFORMANCE MANAGEMENT

The 2009/10 financial year was the second year of operation of the Performance Audit Committee (PAC), which serves as a separate but sub-committee of the Financial Audit Committee. During the year under review the Committee had a complement of three members, with a proposal to add two additional members during the 2010/2011 financial year.

The Committee assessed all three quarterly performance reports, as well as the annual performance report, which were all audited by Internal Audit and as well as the Auditor-General. The Municipal Performance System is still experiencing challenges with assessment methodology; however there have been some improvements in terms of institutional awareness of performance related service delivery approach.

It is my view that the contribution of the PAC has assisted in the Mogale City Performance Plan to raise the bar and it is hoped that further gains would be attained in the new financial year.

Seth Radebe CA (SA)
Chairperson of the Audit Committee