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**AUDIT COMMITTEE
AND
PERFORMANCE AUDIT COMMITTEE
CHARTER FOR 2020/2021**

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GENERAL DEFINITIONS

1.1 General definitions

In this Audit Committee and Performance Audit Committee Charter, unless the context indicates otherwise, a word or expression to which a meaning has been given, has the same meaning, and –

“Accounting Officer”	means the Municipal Manager, referred to in section 60 of the Act
“Act”	means the Municipal Finance Management Act, Act 56 of 2003
“Committee”	means the Audit Committee and Performance Audit Committee (APAC) established in terms of Section 166 of the Act and Regulation 14(2)(a) of the Planning and Performance Management Regulations, 2001
“Chief Financial Officer”	means the employee designated in terms of section 80(2)(a) of the Act
“Local Municipality”	means a Municipality that shares Municipal Executive and legislative authority in its area with a district Municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B Municipality
“Employee”	means a person in the employ of the Local Municipality
“External Auditors”	means the Auditor-General of South Africa
“Internal Audit Function”	means the unit within the Municipality assisted by a co-sourced service provider

2. INTRODUCTION AND PURPOSE'

- 2.1 The Municipal Finance Management Act No. 56 of 2003, in terms of S.166, requires a Municipality to establish a Committee to be known as ***“Audit Committee”***. ***The Municipal Planning and Performance Management Regulations, 2001 require that a municipality must appoint and budget for a performance Audit Committee consisting of at least 3 members, the majority of which may not be in the employ of the municipality as a councilor or an employee. Thus*** the Audit and Performance Audit Committee (APAC) , constituted in terms of S.166 of the Act and Regulations 14(2)(a) of the Planning and Performance Audit Committee, performs an “independent” advisory role to the Municipality, and assists the Municipal Council, the Political Office Bearers, the Municipal Manager and the Management staff of the Municipality in fulfilling oversight responsibilities, performance management and evaluation, upholding the “Code of Conduct”, discharging their duties relating to safeguarding of assets, the operation of adequate systems, control process and preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards, monitoring compliance with applicable laws and regulations
- 2.2 The Committee should not perform any management functions or assume any management responsibilities. The Committee is accountable to the KSD Municipal Council to properly consider and evaluate any matter that it has to deal with or is referred to it.
- 2.3 The Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.
- 2.4 These terms of reference set out the specific responsibilities delegated by the Municipal Council to the APAC and details the manner in which the APAC will operate.
- 2.5 The APAC Charter should be published on the Municipal website to promote awareness to all stakeholders and be reviewed annually by the Council and updated to ensure relevance and consistency with the applicable legislation. Other measures of making the stakeholder aware of the role of the APAC should be considered as appropriate.
- 2.6 The charter should be used as basis for:
- a) Preparing the APAC's annual work plan
 - b) Setting the agenda for meetings
 - c) Making recommendations to the Accounting Officer and Political Office bearers
 - d) Assessing the APAC performance by its members, Municipal Council, management, external auditors and Internal Auditors; and
 - e) Contributions and participation at meetings.

3. THE COMMITTEE'S MANDATE

3.1 The APAC is established in compliance with and reference to the following:

- a) Local Government: Municipal Finance Management Act no 56 (chapter 14 sec 166);
- b) Local Government: Municipal Systems Act no 32, 2000 (chapter 6);
- c) Local Government: Planning and Performance Management Regulations 2001 (paragraph 14 (2) (a) and 14 (2) (c));
- d) Local Government Transition Act second Amendment Act, 1996 (Act 97 of 1996) (section 10 (g) c); and
- e) The King IV Report on Corporate Governance
- f) MFMA Circulars issued by National Treasury.

3.2 The broad objectives of the APAC are to:

- a) Advise the Municipal Council and all the political office bearers;
- b) Advise the Accounting Officer, management and staff of the Municipality;
- c) Assist the Municipal Council to discharge its duties in regard to safeguarding of assets, operating adequate systems and controls, preparation of Annual Financial Statements, and on matters relating to performance management and performance evaluation.
- d) Make recommendations to Council in respect of the activities which form part of the Committee's terms of reference/ responsibilities (as set out in section 3 below).
- e) To advise and not to perform any management functions or assume any management responsibilities as this could prejudice the objectivity of the Committee. It shall have an objective independent role as an overseer and make recommendations to KSD Municipal Council for its approval or final decision.

4. AUTHORITY

4.1 The APAC is hereby authorised to perform the function as described in APAC terms of reference applicable to an APAC.

4.2 The APAC shall have the authority to perform functions, and to obtain any information and advice, from within or outside the Municipality or entity, in order to perform its functions as legislated. Appropriate resources will be made available to the APAC to perform its functions as agreed in the charter.

4.3 The APAC must be provided with the resources it needs to investigate such matters and shall have full access to information allowable by law. The Committee must safeguard all information supplied to it within the ambit of the law.

4.4 The Municipal Council, the Political Office Bearers, and the Municipal Manager authorise the APAC within the scope of its responsibilities to:

- a) Seek any information to which it is legally entitled from any employee and all employees are directed to co-operate with any request made by the APAC;
- b) Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Any such appointments should be made subject to consultation with the Municipal Manager and adherence to municipalities procurement policies and procedures.

5. RESPONSIBILITIES

5.1 Responsibilities related to Council and Management

5.1.1 The APAC should assist the Municipal Council, the Political Office Bearers, the Municipal Manager and the Management of the Municipality in carrying out their responsibilities. The Committee must, amongst other things, review the following:-

- a) Review and monitor the effectiveness of Risk Management within the Municipality
- b) The Municipality's policies and procedures for preventing and detecting fraud;
- c) The Municipality's policies for ensuring that it complies with relevant regulatory and legal requirements;
- d) Operational effectiveness of policies and procedures;
- e) Effectiveness of internal control systems;
- f) Risk areas of the Municipality's operations to be covered in the scope of Internal and External Audits;
- g) The adequacy, reliability and accuracy of financial information provided to Management and other users of such information; and
- h) Any accounting and Auditing concerns identified as a result of internal and External Audits.
- i) To strategically advise the Municipality to ensure that the development of the IDP, SDBIP and other planning instruments is compliant to the relevant statutory frameworks and that reporting on these meet the reliability and usefulness requirements.

5.1.2 Over and above the foregoing, the Committee is responsible for the following.

- a) Together with the Municipal Council, the Political Office Bearers, the Municipal Manager, and Senior Management ensure that a risk assessment is conducted regularly so as to identify emerging risks applicable to the Municipality. A Risk Management Strategy, which must include a Fraud Risk Management Policy and Plan, must be used to direct internal audit's priorities and determine the skills required from Managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all employees to ensure that the Risk Management Strategy is incorporated into the language and culture of the Municipality.
- b) Discuss all qualifications noted on draft financial statements, irrespective of their nature, materiality or subsequent clearance, and fully explain the circumstances giving rise to the qualifications.
- c) Review the Management's statement on internal control prior to ratification by the Municipal Council, the Political Office Bearers, the Municipal Manager with specific reference to the safeguarding of assets and the prevention and detection of fraud.

5.2 Responsibilities related to the Internal Audit Activity

- 5.2.1 Approval of the Internal Audit Charter, three year Strategic Plan and operational plans as well as review performance against them;
- 5.2.2 Consider as to whether or not the objectives, organisation, staffing plans, financial budgets, Audit Plan and standing of the Internal Audit Activity provide adequate support to enable the committee to meet its objectives;
- 5.2.3 Review of the result of work performed by the internal audit function in relation to financial reporting, Corporate Governance, internal control, and any significant investigations and management responses;
- 5.2.4 Consider the objectives and scope of any additional work undertaken by the Internal Auditors to ensure there are no conflicts of interests and that independence is not compromised;
- 5.2.5 Meet with the Internal Auditors without management at least once per annum;
- 5.2.6 Through its Chairperson, representing the concerns of Internal Audit to the Municipal Council, the Political Office Bearers, and the Municipal Manager in terms of the Municipal Finance Management Act;
- 5.2.7 Concur in the appointment, replacement, reassignment or dismissal of the Chief Audit Executive;

- 5.2.8 Review of audit results and related management action plans;
- 5.2.9 Review co-ordination between the Internal Audit function and External Auditors and deal with any issues of material or significant dispute or concern;
- 5.2.10 Ensure direct access by the Chief Audit Executive to the APAC the Chairperson of the APAC, the Municipal Council, the Municipal Manager, and Municipal Senior Management
- 5.2.11 Ensure that the Internal Audit Activity is subject to an independent quality review at least five year or , as and when the Committee determines it appropriate.
- 5.2.12 Regular reviews of the functional and administrative lines of the Internal Audit activity to ensure that the organizational structure is consistent with principles of independence and accountability;
- 5.2.13 Advising the municipality on resources allocated to give effect to the work outputs of the Internal Audit function;
- 5.2.14 Ensuring that there is support of Internal Audit and External Auditors from the senior Management;
- 5.2.15 Confirming with Management that Internal Audit findings are submitted to the Audit Committee on quarterly basis;
- 5.2.16 Confirming actions taken by Management in relation to the Audit Plan;

5.3 Responsibilities related to External Audit Function

The audit Committee should:

- a) Discuss and review the external Audit Plan, nature and scope of the Audit and the audit fee
- b) Review and evaluate the independence and effectiveness of the External Auditors in relation to their responsibilities;
- c) Ensure that there are no restrictions or limitations placed on the auditors;
- d) Liaise with the external auditors on any matter that the Audit Committee considers appropriate to raise with external audit reports;
- e) Review of the plan and scope of External Audit with regard to the critical risk areas and the sufficiency of audit coverage and procedures, including co-ordination with the Internal Audit function;
- f) Review of Audit results quality and contents of financial information and the Action Plans of Management;

- g) Consider significant disagreements between the External Auditors and Management;
- h) Consider material unsolved accounting and Auditing problems;
- i) Ensure that there are no restrictions or limitations placed on the External Auditors;
- j) Ensure that the External Auditors are informed of all known risks to enable them to evaluate these risks for possible inclusion in the Audit Plan.
- k) Address outstanding matters raised by the External Auditors and any findings are dealt with conclusively in an expeditious manner;
- l) Meet with the External Auditors at their request as they deem necessary;
- m) Ensure direct access by the External Auditors to the Committee, the Chairperson of the Committee and the Accounting Officer.

5.4 Responsibilities related to Performance management and Performance evaluation

The audit committee should:

- a) Review the reports of the Internal Auditors covering the performance measurements of the Municipality.
- b) Review the Municipality's Performance Management System and make recommendations in this regard to Council.
- c) Review and comment on the alignment of the Integrated Develop Plan, the budget, Service delivery Budget Implementation Plan and Performance Agreements.
- d) Review and comment on the relevance of indicators to ensure they are measurable and relate to service performed by the KSD municipality;
- e) Review the quarterly performance reports submitted by Internal Audit ;
- f) Review and comment on KSD Municipality's Annual Financial Statements and timely submission to the Auditor General by 31 August each year;
- g) Review and comment on the KSD Municipality's Annual Reports within the stipulated time frames;
- h) At least twice during a financial year submit an audit report to Council in respect of the performance measurements of the Municipality.

- i) In reviewing the Municipality's Performance Management System the Committee should focus on economy, efficiency, effectiveness and impact in so far as the key performance targets set by the Municipality are concerned.

5.5 Responsibilities related to Information Technology

5.5.1 The APAC also needs to provide advice on IT governance, controls, access, safeguarding of information in the KSD municipality.

5.5.2 Specific expertise may be required from within or outside the KSD Municipality from time to time, to assist the Internal Audit unit and APAC formulate recommendations on system and controls. The committee may have to advice on the appropriateness of disaster recovery and continuity plans supporting IT risk, regular testing and evaluation of plans systems and process.

5.6 Risk Management

5.6.1 The APAC should ensure that there are procedures in place to effectively manager risk brought about by complexity, challenges and changes. It should therefore ensure that the Municipality has a Risk Management Policy, Strategy and framework in place and there are procedures to identify and monitor these risks.

5.6.2 In order to carry out these responsibilities the APAC should be informed of and provide an independent and objective view of the effectiveness of the municipalities Risk management by considering the following matters,

- a) The overall Risk Management process in the Municipality
- b) The Typical risk inherent to the functions and the activities of the Municipality as well as management and control of such risk.
- c) Areas where there has been a major change in the risk factors and,
- d) Details of the action plans of the Management to control the level of risk

5.6.3 The APAC must also provide feedback to the Accounting Officer and Municipal Council on the adequacy and effectiveness of Risk Management in the

Municipality.

5.7 Role of the Audit Committee (mSCOA)

The Audit Committee should review:

- a) Both the information technology (IT) and organisational aspects of the mSCOA system conversion projects. Reviewing these conversions provides assurance to management and the municipal council that 'all that can be done is being done'. The Audit Committees involvement and independent assessment of mSCOA project plans provides value that far outweighs the audit's costs.
- b) Audit Committee has an important role to play in ensuring good mSCOA project governance, including achieving mSCOA project goals and to create and maintain particular organisational values. It does so through the appropriate accountability and by evaluating processes that contribute to the achievement of these goals and values, specifically the communication of the goals and values and the processes used to monitor their achievement
- c) Audit Committee should review whether the Management has a comprehensive Risk Management framework guiding the Management of mSCOA project risk
- d) Whether a sound and effective approach has been followed in developing the strategic management plan for the mScoa project
- e) The impact of the Municipalities Risk Management Framework on particularly the control environment of mSCOA project
- f) The Municipality's mSCOA project – Fraud prevention plan to be satisfied that the Municipality has appropriate processes and systems in place to capture to monitor and effectively investigate any fraudulent activities to the project Quarterly reports on the progress of the mSCOA project.

5.8 Compliance Management

5.8.1 Review the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instance of non-compliance;

5.8.2 Review the findings of any examinations by the regulatory agencies and any auditor observations;

5.8.3 Obtain regular updates from Management and the Municipal Legal Counsel regarding compliance matter

5.8.4 Request and consider reports and presentations by Management on measures implemented to ensure compliance with statutes, internal policies, procedures and controls

5.9 Review the annual financial statements

5.9.1 According to section 166 (2) (b) of the Act, the Committee must review the Annual Financial Statements to provide the Council of the KSD Municipality with an authoritative and credible view of the financial position of the Municipality, its efficiency and effectiveness and its overall level of compliance with the Act, the annual Division of Revenue Act and any other applicable legislation by;

- a) Confirming if the KSD municipal audit file is prepared in line with the applicable standard and guidance contained in MFMA circular 50, or as updated
- b) Reviewing the unaudited annual Financial Statements of the KSD Municipality to ensure that the quality, integrity and content is constant with applicable standards and compliant with the legal framework;
- c) Evaluating the Annual Financial Statements of the KSD Municipality for reasonableness, completeness and accuracy, and provide comment thereon, on a timely basis;
- d) Considering the external auditor's opinion on the quality and appropriateness of the KSD Municipality's accounting policies ;The Committee shall review and discuss the annual financial statements with management, taking into account the findings of the previous external audit and GRAP requirements and

recommend to Council the acceptability of the Annual Financial Statements for submission to the AG for audit.

5.9.2 With regards to annual financial statements, the audit committee should;

- a) Ensure arithmetical accuracy and consistency
- b) Ensure consistency of, and any changes to, accounting policies, comparing to prior years;
- c) Determine methods used to account for significant or unusual transactions where different approaches are possible;
- d) Determine whether the Municipality has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account previous audit outcomes.
- e) Determine the quality of disclosure in the KSD municipality's financial report and the context in which statements are made;
- f) Verify all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management)
- g) Ensure that all material issues in prior reports by the AGSA have been appropriately accounted for, resulting in fair representation;
- h) Conduct analysis of trends and other financial ratio calculations e.g. year on year comparisons and composition of primary group e.g. Salaries as a component of operations, whether operations are undertaken on a sustainable basis, operations at surplus or deficit, efficiency and solvency ratios and etc.

5.10 Responsibilities with other stake holders

The Audit Committee is required to maintain good relations with key stakeholders, such as:

- a) Municipal Council
- b) Political Office Bearers
- c) Municipal Public accounts Committee
- d) Finance Committee
- e) Accounting Officer
- f) Management and staff
- g) Internal Auditors and External Auditors
- h) Provincial Treasury

- i) National Treasury.
- j) EC-CoGTA Department

6. REPORTING TO COUNCIL

6.1 The chairperson of the Audit Committee will report on a quarterly basis, or more frequently if required to the municipal council on the operations of the internal Audit Unit and the Audit Committee. The reports shall include:

- a) A summary of the work performed by the Internal Audit and the Audit Committee against the annual work plan
- b) Effectiveness of Internal controls and additional measures that must be implemented to address
- c) A summary of key issues dealt with, such as significant internal and External Audit findings, recommendations and updated status thereof or Concerns to the Mayor and Council, with a copy to the Municipal Manager
- d) Progress with any investigations and their outcomes
- e) Details of meetings and the number of meetings attended by each member and other matters requested of the internal audit and Audit Committee.
- f) The Audit Committee shall prepare a report annually which is incorporated into the municipality's annual report and those of its entities covering:
- g) Describing the functions performed by the Audit Committee and meetings attended.
- h) Resolution taken by council and implementation status of recommendations made and;
- i) Other relevant comments that may enhance governance and accountability

6.2 The Chairperson of the Audit Committee will submit a copy of its report at least or at other intervals, to the Municipal Public Accounts Committee (MPAC) for consideration during the MPAC engagements on the oversight report. The Chairperson of the APAC on invitation will himself to the MPAC when it needs clarity on the report of the APAC.

7. COMPOSITION OF THE COMMITTEE AND APPOINTMENT OF MEMBERS

7.1 Composition

- a) In line with Section 166 of the Act and Regulation 14(2)(a) of the Planning and Performance Management Regulations, 2001 which provides for minimum requirements for the composition of the audit committee the KSD Audit Committee comprises at least three persons with appropriate experience who are not in the employ of the KSD Municipality or Municipal entity.
- b) In terms of the leading practice, number and/or size of Audit Committees can be increased to address the requirements, peculiarities, and needs of the municipality or its entity which will also be guided by this approved charter.

7.2 Appointment of members

- a) In accordance with Section 166 (5) of the MFMA the members of the Audit Committee must be appointed by the KSD Municipal Council.
- b) Have a professional approach to perform duties, including commitment of time and effort,
- c) Each committee member must be independent and appropriately skilled.
- d) One of the members, who is not in the employ of the municipality, must be appointed as the chairperson of the committee.
- e) All members appointed to the Committee shall enter into a contract with the Municipality setting out the terms and conditions of service and
- f) No Councilor may be a member of an Audit Committee.
- g) If the Chairperson is not present at a meeting, the Committee shall elect a member to act as the Chairperson

7.3. Co-opted members, expert consultants and/ or advice

The Committee may:

- a) With the concurrence of the Accounting Officer, co-opt members, with appropriate skills and experience, to add value to the decision-making process as provided in the Act. The Chairperson in consultation with the Accounting Officer or his/her delegate shall determine the remuneration of the co-opted members;
- b) Invite, in consultation with the Accounting Officer, any expert consultant to attend a meeting to contribute to the effective functioning of the Committee;

- c) Obtain independent professional advice on any area of concern relating to the Municipality's activities, at the Municipality's expense. In addition, the Committee may secure the attendance of outsiders with relevant experience and expertise at its meetings, if considered necessary; and
- d) Request any investigation within the ambit of its mandate in order to fulfill its role and responsibilities.

7.4 Secretariat of the Committee

- a) The secretariat responsibilities are to be performed by a staff member from the Internal Audit Unit or otherwise as determined by the accounting officer. This includes providing all administrative support to the Audit Committee meetings. The Secretary shall ensure that draft minutes are verified by the Chairperson of the committee and circulate the minutes of the Audit Committee to all members within two weeks of the Audit Committee meeting.

7.5 Remuneration of members

- a) It is a common practice to compensate audit committee members not in the service of the service of the state. The Chairperson of the Audit Committee shall be paid additional remuneration for attendance and other services related to the Audit Committee.
- b) Subsistence and other allowances may be paid to a member in accordance with his/ her conditions of service.
- c) The members of the audit committee shall be remunerated for time spent in attendance of audit committee meetings and for preparation in accordance with rates determined and approved by Council.
- d) Remuneration will only be applicable to officials employed outside the public services. No remuneration for participating in audit committees will be payable to officials employed at National, Provincial and Local Government, its agencies or other entities regarded as falling within the definition of an organ of state, except for out of pocket expenses which may be reimbursed. The above will become effective for new members of Audit Committees from the date of MFMA circular No. 65.
- e) The reimbursement of all members for travel expenditure must be determined in accordance with the approved Council Policy. The Accounting Officer, in consultation with the Chief Financial Officer, is required to approve the reimbursement of all travel expenditure for members of the audit committee based

on the above mentioned or make alternative arrangements to pay for modes of travel to such meetings, in terms of council policy.

7.6 Indemnity of members

- a) The members of the Committee will use reasonable skill and care in the provision and delivery of the services and the deliverables required.
- b) All findings and recommendations will be made by the Committee in good faith and based on information available at the time. Accordingly, no statement in any report, letter or other document issued or adopted by the Committee is to be deemed to be in any circumstances a representation, undertaking, warranty or guarantee and no claim whatsoever will lie against the Committee if such statement proves inaccurate.
- c) The Council or in the case of the Chairman, after consultation with the other members of the Committee, may terminate the services of a Committee member when it has been determined that the member has acted in a negligent manner.

7.7 Skills and experience

7.7.1 Members should be selected from different areas of expertise to enhance the

Audit Committee's overall knowledge of the municipality and the ability to

discharge its obligations and provide appropriate recommendations to the Council.

7.7.2 The appointed members should collectively possess the following skills and experience;

- a) Private and public sector experience
- b) An understanding of service delivery priorities
- c) Good governance and/or financial management experience
- d) An understanding of the role of council and councilors
- e) An understanding of the operations of the organization
- f) Familiarity with Risk Management practices
- g) An understanding of internal control
- h) An understanding of major accounting practices and public sector reporting requirements
- i) An understanding of public sector reform
- j) Familiarity with legislations applicable to municipalities

- k) An understanding of the roles and responsibilities of Internal and External Auditors
- l) An understanding of treatment of allegations and investigations ; and
- m) An understanding of the Performance Management System.

7.8 Membership and independence

7.8.1 The Audit Committee should be independent and safeguarded from undue influence in exercising its responsibilities in an objective manner. To enhance the Audit functioning, the following is required:-

- a) The Audit Committee Chairperson and members should be independent of the Municipality or Municipal entity
- b) The Audit Committee Chairperson and members should not be biased but exhibit an independence of mental attitude during deliberations
- c) All Audit Committee members should declare private and business interest in every meeting; and
- d) All members should not carry out any business with the Municipality.

8. TERM OF OFFICE

8.1 To enhance independence of the Audit Committee, the term of office of members must be strictly adhered to. The Chairperson should be appointed for a minimum of three (3) years to ensure that he/she contributes most effectively and provides stability to the Audit Committee.

8.2 Other Audit Committee members should serve at least a minimum of three years with an option to renew for another three (3) years based on performance. The recruitment of members should be staggered to prevent a loss of knowledge and skills in the committee. The recruitment of process of new members should be concluded at least three (3) months in advance of the expiry of existing members' term. The head of Internal Audit and the accounting officer must maintain records of Audit Committee member contracts and ensure recruitment is undertaken as mentioned above.

8.3 Rotation of members is encouraged as it enhances the independence of the Audit

Committee. Members of the Audit Committee should not be contracted continuously for a period exceeding six years. After serving consecutively for six years, a cooling off period of two (2) years should be provided for, before appointing the same member to the same audit committee.

8.4 A Committee member should give two (2) months' notice prior to resignation. The date of resignation should be minuted by the secretariat of the Audit Committee.

8.5 Committee members can be dismissed by the Municipal Council under certain circumstances. The Municipal Council should consult the Charter when dismissing members of the Committee. Reasons for dismissal amongst other would normally be detailed in the letter of appointment and contract agreement, such as

- a) Where an ongoing conflict of interest exist
- b) Where a member has not performed to expectations

8.6 The official dismissal processes as they relate to the Municipality or Municipal entity should be adhered to by the accounting officer and municipal council when an APAC member is being dismissed.

9. INDUCTION OF MEMBERS

9.1 A formal process of induction must be facilitated by the Chief Audit Executive in consultation with the Accounting Officer. During the induction of members the rules and responsibilities of the audit committee must be clarified, the induction process shall entail sufficient briefings and information on their rules, responsibilities, accountability and management's expectations. Induction of members can be facilitated by the Provincial Treasury, National Treasury, SALGA or Provincial Local government upon request.

9.2 New members should be briefed by the accounting officer, Chief financial officer, and Chairperson of the APAC and the head of Internal Audit. New members should also be introduced to the External Auditors. The information to be provided to new members should include:-

- a) The Municipality's governance and operational structures and how the APAC operates within this structure;
- b) Copy of the Audit Committee's Charter including any policies, recent Audit Committee minutes, audit management letter, audit opinion, including details of outstanding issues, council resolutions and recommendations presented to the municipal council;
- c) Copies of the relevant legislation;
- d) Copies of the latest municipality's annual report, annual financial statements, integrated development plan, budget, service delivery and budget implementation plan, in-year reports, code of conduct, performance agreements, risk register and risk management plans;
- e) Information from management and the internal auditor on the risk profile, status of internal control and system of delegation; and
- f) A copy of the internal audit charter and annual work plans, among others.

10. PERFORMANCE ASSESSMENTS

10.1 The audit committee should assess its performance and achievements against its charter on an annual basis. The assessment would cover the performance of the individual member as part of the overall committee with reference to the particular skills the member has brought to the audit committee as the whole.

10.2 The findings of the self-assessment should be presented by the chairperson to the accounting officer and municipal council.

10.3 Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the committee, the chair should take action to ensure that such enhancement are implemented. The chairperson may need to consult with the accounting officer and municipal council to obtain appropriate support to ensure all enhancements are implemented.

10.4 It may be beneficiary for the audit committee to use an external facilitator to provide assistance with, or to supervise the self-assessment process. It is up to the audit committee to decide whether the service of an external facilitator is required.

10.5 The chairperson and external facilitator should provide feedback to the audit committee members and present the findings of the evaluation to the accounting officer and municipal council.

10.6 Where the audit committee is not performing in accordance with the charter and this has been observed by various stake holders such as for example, internal audit, external audit, or management, it would be appropriate for this or other issues to be brought to the attention of the accounting officer and municipal council.

11. If an individual audit committee member is not performing, then the member must be given an opportunity to address such with the municipal council. If it is considered necessary to appoint, proper procedures should be followed.

11. OPERATION

11.1 Frequency of meetings

11.1.1 In accordance with Section 166(4) (b) of the MFMA the Audit Committee is

required to meet at least 4 times per year and must meet annually with the external auditors to ensure that there are no unresolved issues of concern. The number of actual meetings is influenced by its objectives and scope of activities. Generally meetings correspond with major phases of financial and performance reporting and external and internal audit cycles.

11.1.2 The following persons must have a standing invitation to the audit committee

and attend all meetings:

- a) Municipal manager
- b) Head of Internal audit of the KSD municipality
- c) Chief financial officer
- d) Senior managers
- e) Chief Risk Officer KSDLM
- f) Manager Institutional Performance
- g) Director Internal Audit- OR Tambo DM
- h) Chief Risk Officer- OR Tambo DMMPAC Chairperson
- i) MMC Budget and Treasure Office
- j) Auditor General
- k) Provincial treasury
- l) Provincial CoGta
- m) SALGA; and

n) Any other person on invitation by the chairperson of the audit committee.

11.1.3 The chief audit executive in consultation with the chairperson of the audit

committee must determine the time frames of all meetings. In light of the financial implications, the accounting officer in consultation with the chairperson of the audit committee must agree, if meetings go beyond a one day sitting.

11.1.4 The audit committee shall have an hour pre-meeting with the head of internal

audit and his assistant prior to the actual audit committee meeting to discuss challenges and difference in views.

11.2 Quorum

The quorum for meetings will be 50% plus 1 of the members of the Committee.

11.3 Conflict of interest

Subject to the provisions of any Act, regulation or prescript, where a member of the Committee has an interest in a matter being considered, this interest shall be declared at the beginning of the proceedings of the meeting and the member must recuse him/ herself from the decision making process.

11.4 Access to information

The Committee may obtain access to all records and information that it may require from management or employees of the Municipality. The Committee has direct access to the Accounting Officer, management, internal and external auditors.

11.5 Confidentiality

The Committee undertakes that it will not, at any time, disclose confidential information to any third party for any reason or purpose whatsoever without the express prior written consent of King Sabata Dalindyebo Municipality.

11.6 Notice of meetings

Notice of each meeting shall be given in writing to all members of the Committee, at least fourteen days prior to the date on which such meeting is to be held.

11.7 Agenda meeting pack and distribution

The agenda of each meeting shall be prepared and distributed at least 14 days prior to the meeting date. Any person attending the meeting may add items to the agenda at least 10 days before the meeting. Such items must be provided to the secretary of the Committee. Discussion documents shall be sent to the members at least 7 days before the meeting. The agenda and documents of each special meeting shall be prepared and distributed three (3) days prior to the meeting date.

11.8 Minutes

The secretary shall prepare draft minutes of the meeting for review by the audit committee members within 10 working days of a meeting. The minutes shall be tabled at the next meeting of the Committee for adoption.

12. OTHER MEETINGS OF THE CHAIRPERSON

12.1 Should the external auditors, internal auditors, legal manager or any other party request an audience from the Committee, the Chairperson shall consult the other members prior to convening such a meeting.

12.2 The Chairperson may at his/her discretion meet separately with the External Auditors, Internal Auditors or Management to discuss any matter.

13. EVALUATION OF THE EFFECTIVENESS OF THE COMMITTEE

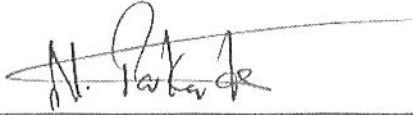
13.1 Although the effectiveness evaluation of the Committee is the responsibility of the Council, the Committee shall conduct a self-assessment evaluation on an annual basis. The results of the evaluation shall be made available to the members and Council as soon as possible.

13.2 At the last meeting of each year, the Committee shall conduct an evaluation of the Committee's Terms of Reference, the constitution of the membership for the ensuing year and will make any recommendations to improve the effectiveness of the Committee, as may be required.

14. APPROVAL

The Committee's Terms of Reference as set out in this Charter are hereby approved, for and on behalf of the Municipality.

Recommended by the Municipal Manager:



Mr. N. Pakade: Municipal Manager

Date: 11 August 2020

Adopted by APAC and signed on its behalf by the APAC Chairperson:

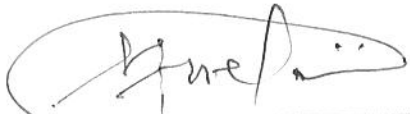


Mr. B.W. Mbewu: APAC Chairperson

Date: 11 August 2020

Approved by Council and signed on its behalf by the Executive Mayor:

Resolution No: ORD 721/10/20



Cllr. G.N. Nelani: Executive Mayor

Date: 30 October 2020