

EASTERN CAPE PROVINCE SENQU LOCAL MUNICIPALITY



“A unified, people centred, developmental and vibrant Municipality”

AUDIT COMMITTEE CHARTER 2022/23 FINANCIAL YEAR

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1. General Definitions

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

Accounting Officer : Municipal Manager, referred to in section 60 of the Municipal Finance Management Act 56 OF 2003 (MFMA)

Committee : Audit Committee (AC) established in terms of Section 166 of the MFMA

Council : Senqu Municipality's council.

Chief Audit Executive (CAE) : Senqu Municipality's Head of the Internal Audit Unit

Chief Financial Officer (CFO) : An employee designated in terms of section 80(2) (a) of the MFMA

Municipality : Senqu Local Municipality

Members : Senqu Municipality's audit committee members including the chairperson

Employee : A person in the employ of the Senqu Local Municipality

External Auditors : Auditor – General South Africa (AGSA)

Internal Audit Function or outsourced) : Senqu Local Municipality's internal audit unit (in-house

2. Introduction and Purpose

The Audit Committee Charter for Senqu Local Municipality (“SLM”) comprises of the following:

- The Audit Committee operates as a sub- committee of the Council and performs the responsibilities assigned to it by the MFMA section 165 and 166, and the corporate governance responsibilities delegated to it under its Charter by the Council.
- This audit committee charter is the written terms of reference approved by the Council which outlines the mandate of the Committee; it becomes the policy of the Committee which then informs the contracts of the Committee members.
- The purpose of the audit committee is to provide a structured, systematic oversight of the organisation’s governance, risk management, and internal control practices. The committee assists the Council and management by providing advice and guidance on the adequacy of the organisation’s initiatives for:
 - Values and ethics.
 - Governance structure.
 - Risk management.
 - Internal control framework.
 - Oversight of the internal audit activity, external auditors, and other providers of assurance.
 - Financial statements and public accountability reporting.
 - In broad terms, the audit committee reviews each of the items noted above and provides Council with independent advice and guidance regarding the adequacy and effectiveness of management’s practices and potential improvements to those practices.

3. Audit Committee’s Mandate, Authority and Independence

3.1 Mandate

The objectives of the Audit Committee are the following:

- To evaluate that effective, efficient and transparent system of financial management, risk management and internal control are maintained by council, which contribute to the efficient and effective utilisation of resources, safeguarding of assets and the accomplishment of established goals.
- To promote the efficiency and effectiveness of accounting and management information systems.
- To create a distinct and clear communication channel between the council, management, external auditors and the internal audit unit.
- To inform the council regarding material matters which need to be addressed when considering the preparation and discussion of the financial statements.
- To monitor the effectiveness of the internal audit function.
- To enhance the objectivity and credibility of reporting to the stakeholders.

- The mandate for the establishment of the audit committee was derived from the exact source of the mandate will vary among jurisdictions and depend on the location, government structure, type of public sector services, and relationship to other government entities. This section is typical for public sector organisations and may come in the form of laws, regulations, policies and procedures or bylaws.
- For disclosure of management of their committees of oversight, the audit's views on the effectiveness of the CFO and the Finance function.

3.2 Authority

The committee shall have the authority to perform its functions, as stipulated in this charter and to obtain any information and advice, from within or outside the municipality in order to perform its functions as legislated. Appropriate resources will be made available to the AC to perform its functions as agreed in its charter.

The Audit committee may:

- Communicate with the council, the Mayor, municipal manager or the internal and external auditors of the Municipality.
- Conduct or authorise investigations into any matters within its scope of responsibility.
- Access information, records and personnel as it requires to fulfil its responsibilities
- Request the attendance of any executive or employee, at committee's meetings.
- Conduct meetings with the external auditors and internal auditors as necessary
- Resolve any disagreements between management and the auditor regarding financial reporting.

Moreover, the audit committee is empowered to:

- Appoint, compensate, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the organisation. [Note: This requirement may not be applicable in the public sector if the external auditor is established by legislation; for example, an auditor general.]
- Pre-approve all auditing and non-audit services performed by auditors
- If access to requested documents is denied due to legal or confidentiality reasons, the audit committee and/or chief audit executive (CAE) will follow a prescribed, Council
- approved mechanism for resolution of the matter. The audit committee is entitled to receive any explanatory information that it deems necessary to carry out its duties.

3.3 Independence

To enhance the AC functioning, the following is required:

- The AC chairperson and members should be independent of the municipality.
- The AC chairperson and members should not be biased but exhibit an independence of mental attitude during deliberations.
- All committee members should declare private and business interests at each meeting.
- No members should carry out any business with the municipality.

3.4 Values and ethics

- To obtain reasonable assurance with respect to the organisation's values and ethics practices, the audit committee will:
- Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organisation.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the organisation.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.
- The audit committee will conduct itself in accordance with the code of values and ethics of the organisation and MFMA section 166. The audit committee expects that management and staff of the organisation will adhere to these requirements

3.5 Communication

The audit committee expects that all communication with management and staff of the organisation as well as with any external assurance providers will be direct, open and complete.

3.6 Work plan

The audit committee chair will collaborate with senior management and the CAE to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out.

3.7 Meeting agenda

The chair will establish agendas for audit committee meetings in consultation with audit committee members, senior management and the CAE.

3.8 Information requirements

The audit committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the audit committee at least one week prior to each audit committee meeting.

3.9 Executive sessions

The audit committee will schedule and hold if necessary, a private session with the Municipal Manager (MM), the chief financial officer (CFO), the CAE, external assurance providers, and with any other officials that the audit committee may deem appropriate at each of its meetings.

3.10 Preparation and attendance

Audit committee members are obliged to prepare for and participate in committee meetings.

3.11 Conflict(s) of interest

Audit committee members should adhere to the organisations code of conduct and any values and ethics established by the organisation. It is the responsibility of audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.

4. Composition

4.1 Appointment of member

- Section 166(5) of the MFMA requires that the members of an audit committee be appointed by the council of the municipality. One of the members, who are not in the employ of the municipality, must be appointed as the chairperson of the committee.
- The committee will comprise of at least four (3) members with the appropriate skills and experience to enable the committee to discharge the responsibilities set out in section 166(2) of the MFMA, whom may not be an employee of the municipality.
- In addition, no councillor may be a member of the committee.

4.2 Qualities of Members

One of the elected audit committee members should be appointed as the chairperson, after the following factors have been considered:

- Has a good standing ability to lead discussions.
- Creates vision and provides direction at meetings.
- Builds municipal capabilities by guiding management based on expert knowledge and skills.
- Promotes and achieve quality outcomes at meetings.
- Has the ability to speedily and effectively advise the Council of any impeding non-compliance with the legislative framework.
- Has the ability to encourage other members to participate in AC meetings.
- Conducts meetings in a manner that demonstrates a desire to establish effective communication with all stakeholders.

In determining suitable candidates for the AC and maintaining a balanced composition, Council should seek to appoint candidates that have the ability to:

- Perform the role as advisor to management.
- Communicate effectively to management.
- Carefully review information received and obtains clarification from management as and when appropriate.
- Raise relevant questions, evaluate responses and follow up on any matter that is unclear.
- Conduct responsibilities in the context of the municipality's strategic objectives and overall corporate governance of the Council.
- Act independently and be proactive in advising the accounting officer regarding issues that require further management attention.
- Encourage openness and transparency.
- Build relations with management.
- Have a professional approach to performing duties, including commitment of time and effort; and
- Each committee member must be independent and appropriately skilled.

4.3 Skills and Experience

Members should be selected from different areas of expertise to enhance the AC's overall knowledge and the ability to discharge its obligations and provide appropriate recommendations to the Council.

The appointed members should collectively possess the following skills and experience:

- Private and public sector experience.
- An understanding of service delivery priorities.
- Good governance and or financial management experience.
- An understanding of the role of the Council and councillors.
- Familiarity with risk management practices.

- An understanding of internal controls.
- An understanding of major accounting practices and frameworks and public sector reporting requirements.
- Familiarity with legislation applicable to municipalities.
- An understanding of the roles and responsibilities of internal and external auditors.
- An understanding of the treatment of allegations and investigations.
- An understanding of the performance management system.
- At least one member must have expertise in performance management.

4.4 Induction of Members

A formal process of induction must be facilitated by the chief audit executive (CAE) in consultation with the accounting officer. During the induction of members, the roles and responsibilities of the AC must be clarified. The induction process should entail sufficient briefings and information on their roles, responsibilities, accountability and management's expectations. Induction of members can also be facilitated by Provincial or National Treasury, upon request.

The information to be provided to new members should include:

- SLM's governance and operational structures and how the AC operates within these structures.
- Copy of the AC charter, including any policies, recent AC minutes, AGSA Management Letter and Report, audit opinion, which includes details of outstanding issues.
- Council resolutions and recommendations presented to SLM's council.
- Copies of relevant legislation.
- Copies of SLM's IDP, Annual Report, Annual Financial Statements, Budget, SDBIP, in-year reports, code of conduct, performance agreements, risk register and risk management plans.
- Periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs.

5. Term of Office

- The members of the AC are appointed for periods not exceeding three (3) years with the option of being reappointed for a further term based on performance.
- The Chairperson of the AC should be appointed for a minimum of three years.
- Members of the AC should not be contracted continuously for a period exceeding six years. After serving consecutively for six (6) years, a cooling off period of two (2) years should be provided for, before appointing the same member to the AC.
- Rotation of members is encouraged as it enhances the independence of the audit committee.
- Continuance of audit committee members will be reviewed annually.

- To ensure continuity within the audit committee, the appointment of members should be staggered.
- Committee members can be dismissed by the municipal council under certain circumstances.

6. Succession ,Resignation and Dismissal of members

6.1 Succession of members

The recruitment process of new members shall be concluded at least (3) three months in advance of the expiry of existing members term to prevent a loss of knowledge and skills as well as to enable new and existing members to interact and share information where required.

6.2 Resignation of members

A committee member should give two (2) months' notice prior to resignation. The committee member should have the opportunity to have an exit meeting with the council to discuss the reason for leaving and to provide feedback on their experience on the Municipality's AC as well as any other issues.

6.3 Dismissal of Members

Committee members can be dismissed by the municipal council under certain circumstances, including:

- Where an on-going conflict of interest exists.
- Where a member has not performed to expectations.
- The official dismissal processes of the Municipality should be adhered to by the accounting officer and the Council when an AC member is being dismissed. The dismissal of a member should be performed by the Council and the outcome of the dismissal process should be in writing.

7. Reporting to Council and Other Council Committees

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 report should include:

- A summary of the work performed by the internal audit and the audit committee against the annual work plan.
- Effectiveness of internal controls and additional measures that must be implemented to address identified risks.
- A summary of key issues dealt with, such as significant internal and external audit findings, recommendations and updated status thereof.
- Progress with any investigations and their outcomes.
- The audit committee's views on the effectiveness of the CAE and the arrangements for internal audit.
- The audit committee's views on the effectiveness of the CFO and the finance function.

- The arrangements in place for combined assurance and the committee's views on its effectiveness
- Details of meetings and the number of meetings attended by each member.
- Other matters requested of the internal audit and audit committee.

The audit committee shall prepare a report annually which will be incorporated into the municipality's annual report covering:

- Functions performed by the audit committee and meetings attended.
- Resolutions taken by the AC and implementation status of recommendations made.
- A statement as to whether the audit committee is satisfied that the external auditor is independent of the municipality whereas the statement should specifically address the policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year.
- The audit committee's views on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators.
- Other relevant comments that may enhance governance and accountability.
- The chairperson of the audit committee must submit a copy of its report at least annually, 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 audit committee must always be available whenever MPAC needs clarity on the report of the audit committee.
- The roles, responsibilities and outputs of the internal audit and audit committee must assist to inform the work of the MPAC and other oversight structures.
- Signed minutes of the audit committee must be timeously submitted to the Mayoral Committee for information.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organisation.
- Details of meetings including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.

8. Remuneration of Members

- The members of the audit committee shall be remunerated for time spent in attendance of audit committee meetings.
- The municipality may utilise the rates provided by the National Treasury, from time to time.
- The accounting officer or his/her delegate if deemed necessary, and in consultation with the municipal council, may determine other remuneration, provided that:

- I. The terms of reference are properly defined in terms of time and cost; and
- II. If applicable, the remuneration is considered taking into account the tariffs as determined by the Institute that regulates the profession that the member belongs to.
 - Remuneration will only be applicable to officials employed outside the public service. No remuneration for participating in audit committees will be payable to officials employed at national, provincial and local government, its agencies or other public entities regarded as falling within the definition of an organ of state, except for out of pocket expenses which may be reimbursed.
 - The reimbursement of all members for travel expenditure will be determined in accordance with the approved council policy or the rate per kilometre as published and updated by the National Department of Transport.
 - The chairperson and members of the audit committee, including members who are employed in the public service, will be required to complete all particulars of their respective travel to and from the venue of the audit committee meetings.
 - In the event that a senior official from one municipality is requested to serve as a member of an audit committee of another municipality, such senior official must first obtain written consent from the accounting officer before accepting such nominations. The remuneration discussion above will apply.

9. Performance Assessments

The audit committee shall 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 audit committee with reference to the particular skills the member has brought to the audit committee as a whole.
- The findings of the self-assessment should be presented by the chairperson to the accounting officer and the Council.
- Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the audit committee, the chair should take action to ensure that such enhancements are implemented.
- The chairperson may consult with the accounting officer and municipal council to obtain appropriate support to ensure all enhancements are implemented when necessary.
- The AC may decide whether the use of an external facilitator to provide assistance with or to supervise the self-assessment process is required.
- In the case where an external facilitator was used, 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 the Council.
- Where the AC is not performing in accordance with their charter and this has been observed by various stakeholders such as for example, internal audit,

external audit or management, this should be brought to the attention of the accounting officer and Council.

- If an individual AC member is not performing, then the member must be given an opportunity to address such with the Council.
- At the last meeting of each year, the audit committee shall conduct an evaluation of the audit committee's Terms of Reference, the constitution of the membership for the ensuing and will make any recommendations to improve the effectiveness of the audit committee, as may be required.

10. Roles and Responsibilities

10.1 Internal Audit function

The audit committee should ensure that the internal audit function performs its responsibilities effectively and efficiently through:

- Ensuring that the charter, independence and activities of the internal audit function are clearly understood and respond to the objectives of the municipality and the legal framework.
- Regularly reviewing the functional and administrative reporting lines of the internal auditor to ensure that the organizational structure is consistent with the principles of independence and accountability
- Reviewing and approving the internal audit charter, annual operational including three (3) year internal audit strategic plan and ensure that these plans are flexible and further review achieved performance against these plans.
- Advising the municipality on resources allocated to give effect to the work outputs of the internal audit function.
- Ensuring that there is support for the internal audit unit and from senior management.
- Confirming with management that internal audit findings are submitted to the AC on a quarterly basis.
- Reviewing internal audit reports on the implementation and results of the annual audit plan including special tasks (ad-hoc assignments) requested by management and the audit committee.
- Confirming actions taken by management in relation to the audit plan.
- Meeting with the internal auditors at their request as they deem necessary.
- Reviewing results of the Quality Assurance Improvement Program reviews.
- Considering and reviewing reports relating to difficulties encountered during the course of the audit engagement, including any scope limitation or access to information reported to the accounting officer that remain unresolved.
- Evaluating the performance of internal audit activity in terms of the agreed goals and objectives as captured in the audit plan.
- Ensuring that the head of internal audit has reasonable access to the chairperson of the AC
- Concurring with any re-assignment, appointment and termination of the services of the CAE.

- Meeting annually with the internal auditors, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.
- AC should provide input to management related to evaluating the performance of the CAE.
- Recommend to management or the governing body the appropriate compensation of the CAE.
- Inquire of the CAE about steps taken to ensure that the internal audit activity conforms to The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
- Ensure that the internal audit activity has a quality assurance and improvement programme and that the results of these periodic assessments are presented to the audit committee.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent and external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the Council about any recommendations for the continuous improvement of the internal audit activity.

Internal audit unit is accountable to the audit committee as follows:

- Maintain open and effective communication with the audit committee;
- Develop a flexible annual audit plan using a risk-based methodology, addressing any weaknesses in risks or controls identified;
- Submit the audit plan to the audit committee for review and approval;
- Report on the implementation and results of the annual audit plan including special tasks requested by management and the audit committee;
- Assist in drafting the agenda and documentation, and facilitate the distribution thereof to the audit committee in advance of meetings;
- Meet periodically with the chairperson of the audit committee to discuss whether the material and information furnished meets the requirements of the audit committee;
- Obtain advice from the audit committee whether the frequency and time allocated to the committee is sufficient to attend effectively to all matters;
- Cooperate with the audit committee as they conduct annual reviews of the performance of the internal audit function;
- Submit the internal audit charter to the audit committee for review and approval on an annual basis and as necessary

10.2 External Audit

The AC must in relation to external audit:

- Take cognizance of the scope of work undertaken by the external auditor and the extent of co-ordination with the internal audit unit.
- Review reports and monitor management's implementation of audit recommendations and municipal council resolutions in the new financial year.

- Review the report on the financial statements and matters raised therein for reasonability and accuracy.
- Review any interim reports issued in order to take cognizance of the issues raised in determining the follow up work of the internal audit.
- Conduct a review of the extent to which previously reported findings by the external auditor have been addressed by the municipal council.
- Provide advice to the accounting officer on actions taken relating to significant matters raised in external audit reports.
- Liaise with the external auditors on any matter that the committee consider appropriate to raise with the external auditor.
- Ensure that the external auditors have reasonable access to the management and chairperson of the committee.
- Address any potential restrictions or limitations with the accounting officer and council.
- Address outstanding matters raised by the external auditors and any findings are deal with conclusively in an expeditious manner.
- Review of the plan, audit fees and scope of external audit with regards to the critical risk areas and the sufficiency of audit coverage and procedures, including coordination with the internal audit function.
- Review and confirm the independence of the external auditors, with specific reference when the work is outsourced by the AGSA, by reviewing the non-audit services provided and the auditor's assertion of their independence in accordance with the relevant Auditing Standards.
- Consider significant disagreements between the external auditors and management.
- Meet with external auditors at their request as they deem necessary.

10.3 Annual Financial Statements

The accounting officer must prepare Annual Financial Statements (AFS) of the municipality within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing. (This should be linked to the MFMA calendar).

- The AC must review AFS two (2) weeks before submission to the Auditor-General.
- The AC must review the AFS to provide the Council with an authoritative and credible view of the financial position of the municipality by:
 - I. Confirming if the municipal audit file is prepared in line with the applicable standards and guidance contained in MFMA Circular 50, or as updated.
 - II. Review AFS to ensure that the quality, integrity and content are consistent with applicable standards and compliant with the legal framework.
 - III. Evaluating AFS reasonableness, completeness & accuracy, and provide comment thereon on a timely basis.
 - IV. Considering the Auditor-General's opinion on the quality and appropriateness the municipality's accounting policies.
 - V. Reviewing efficiency and effectiveness of internal controls over AFS preparation and reporting.

- VI. Disclosing significant matters that have been considered in relation to the AFS and how these were addressed by the AC.
- Specifically with regards to AFS, the AC should review and challenge the following, where necessary:
 - I. Arithmetical accuracy and consistency.
 - II. Consistency of, and any changes to, accounting policies, comparing to prior years.
 - III. Methods used to account for significant or unusual transactions where different approaches are possible.
 - IV. Whether the municipality has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account previous audit outcomes.
 - V. The quality of disclosure in the Municipality's financial reports and the context in which statements are made.
 - VI. 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)
 - VII. All material issues in prior reports by the AGSA have been appropriately accounted for resulting in fair presentation.
 - VIII. 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, etc.
 - IX. Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process
 - X. Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted external auditing standards.

10.4 Risk Management Activities

The AC should ensure that there are procedures in place to effectively manage risks brought about by complexity, challenge and change. It should therefore ensure that the council has a risk management policy in place and there are procedures to identify and monitor these risks.

In order to carry out this responsibility, the audit committee should be informed of and provide an independent and objective view of the effectiveness of the municipality's risk management by considering the following matters:

- The overall risk management processes in the municipality.
- The typical risks inherent to the functions and activities of the municipality as well as the management and control of such risks.
- Areas where there has been a major change in the risk factors.
- Details of the action plans of management to control the level of risk.

To obtain reasonable assurance with respect to the organisation's risk management practices, the audit committee will:

- Annually review the organisation's risk profile.
- Obtain from the CAE an annual report on management's implementation and maintenance of an appropriate enterprise-wide risk management process.
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Council.
- Provide oversight of the adequacy of the combined assurance being provided.

Fraud

- To obtain reasonable assurance with respect to the organisation's procedures for the prevention and detection of fraud, the audit committee will:
- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the entity has appropriate anti-fraud programmes and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

10.5 Control Environment

The AC members need to have a good understanding of the control environment and in fulfilling this responsibility the committee should:

- Ensure that management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control.
- Establish whether management has relevant policies and procedures in place and that these are adequate, effective and regularly updated.
- Consider measures applied on any required changes to the design or implementation of internal controls.
- Determine whether appropriate processes are followed and complied with on a regular basis.
- Assess steps taken by management to encourage ethical and lawful behaviour, financial discipline and accountability for use of public resources.
- Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendation, together with management's responses.
- Review the content, quality, adequacy, reliability and accuracy of the financial information (monthly and quarterly reports) provided to council and other users of such information.
- Review any accounting and auditing concerns identified as a result of internal and external audits performed.
- Review the Auditor-General's management letter and management's response and action plans.
- Review significant adjustments resulting from the audit.

To obtain reasonable assurance with respect to the adequacy and effectiveness of the organisation's controls in responding to risks within the organisation's governance, operations and information systems, the audit committee will:

- Consider the effectiveness of the organisation's control framework, including information technology security and control.
- Review and provide advice on the control of the organisation as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and Council.

10.6 Performance Management

- The audit committee shall review the municipality's performance management system and make recommendations in this regard to the council for its improvement.
- The Audit Committee should on a quarterly basis report to council in respect of the performance measurements of the municipality.
- In viewing the municipality's performance management system the audit committee should focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and targets set by the municipality are concerned.
- The audit AC members should have a good understanding of the performance of the municipality and its entities and these include:
 - I. Review and comment on compliance with statutory requirements and performance management best practices and standards.
 - II. Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements.
 - III. Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the municipality.
 - IV. Reviews compliance with in-year reporting requirements
 - V. Review the quarterly performance reports submitted by internal audit
 - VI. Reviews and comments on municipality are AFS and timely submission to the Auditor-General by 31 August, each year.
 - VII. Review and comment on the municipality's annual reports within the stipulated timeframes.

10.7 Information Technology (IT) Governance

- The audit committee shall provide advice on IT governance, controls, access and safeguarding of information in the municipality.
- Whenever deemed necessary, specific expertise may be required from within or outside the municipality from time to time, to assist the internal audit unit and audit committee formulate recommendations on systems and controls.
- The AC must advise on the appropriateness of disaster recovery and continuity plans supporting IT risks, regular testing and evaluation of plans, systems and processes.

10.8 Compliance Management

- 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 actions) of any instance of non-compliance.
- Ensure that audit committee's activities comply with all requirements, as determined by any applicable legislation and regulations promulgated there under, as well as any regulatory / supervisory authority and shall review the municipality's compliance with any statutory requirements and regulations, in respect of accounting and financial reporting.
- Request and consider reports and presentations by management on measures implemented to ensure compliance with statutes, internal policies, procedures and controls, including accounting systems and record keeping controls, information systems and technology controls, internal auditing processes, management information systems and reports applied to the day to day management of the municipality's business, and review the internal control structure including financial control, accounting systems and reporting.
- Consider the impact of new legislation on the affairs of the municipality.
- Review the process for communicating the code of conduct to the organisation's personnel and for monitoring compliance.
- Obtain regular updates from management and the organisation's legal counsel regarding compliance matters

10.9 Special Investigations

Where circumstances necessitate, the AC may undertake special investigations referred to it by the Executive Committee and the Accounting Officer.

10.10 Relationship with Stakeholders

The audit committee is required to maintain good relations with key stakeholders, such as:

- Municipal Council
- Board of Directors of Municipal Entities
- Municipal Public Accounts Committee
- Finance Committee Accounting Officer
- Management and staff
- Internal Auditors and External Auditors
- Provincial Treasury
- National Treasury

10.11 Meetings

- The audit committee shall meet at least four times in a financial year and should meet annually with the internal and external auditors respectively, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.
- The secretariat responsibilities shall be performed by the internal audit or as otherwise as determined by the accounting officer. This includes providing all administrative support to the audit committee meetings, sending invitations and

documentation to members, coordinating and compiling of AC meeting documentation, taking minutes at AC meetings, preparing all logistical arrangements relating to AC meetings, including arrangement for the prompt payment of claims and fees, etc.

- Notice of each meeting shall be given in writing to all members of the audit committee, at least fourteen (14) days prior to the date on which such meeting is to be held.
- The AC secretariat in the municipality must ensure that the required preparation for the meeting of the audit committee is finalized at least 7 days before the commencement of the meeting. Any person attending the meeting may add items to the agenda up to three (3) days before the agenda is finalised.
- The secretary shall prepare draft minutes of the meeting for review by the chairperson within ten (10) working days of a meeting. The minutes shall be tabled at the next meeting of the audit committee for adoption.

- The following persons shall have a standing invitation to the audit committee and attend all meetings:
 - I. Municipal Manager
 - II. Head of Internal Audit of the municipality
 - III. Chief Financial Officer
 - IV. External Auditor(Auditor General South Africa)
 - V. Eastern Cape Provincial Treasury.
 - VI. Any other person on invitation by the chairperson of the Audit Committee.
 - VII. Other members of management may be invited to attend audit committee meetings when there is a functional responsibility to be discussed.
- The CAE, 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.

10.12 Quorum

The quorum for the meetings will be 50% of the members who are physically present at the meeting. The quorum of our charter suggests 50% of members should be physical present, however it is advised that the quorum for the audit committee will be a majority of the members, therefore more than half.

11. Indemnity of Members

- The members of the audit committee will use reasonable skill and care in the provision and delivery of the services and the deliverables required.
- All findings and recommendations will be made by the audit 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 audit committee is to be deemed to be in any circumstances a representation, undertaking, warranty or guarantee and no claim whatsoever will lie against the audit committee if such statement proves inaccurate.

12. Confidentiality

The AC 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 the municipality.

13. Orientation and training

Audit committee members will receive formal orientation training on the purpose and mandate of the committee and on the organisation's objectives. A process of continuing education will be established. It is the responsibility

14. Approval

This AC Charter has been endorsed by the Committee and approved by the Council of the Municipality.

Preparer:

Noluyolo Ngceke: Chief Audit Executive

Date

Endorsed by the Audit committee

Chairperson of the Audit Committee

Date

Approved by the Council

Velile Stokhwe (Honourable Mayor)

Date