

AUDIT
COMMITTEE
CHARTER



Fezile Dabi

District Municipality



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

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1. PURPOSE

The Audit Committee (hereinafter referred as the Committee) to assist the Council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the performance management system, the audit process, and Council's processes as for monitoring and ensuring compliance with laws and regulations and the code of conduct.

2. TERMS OF REFERENCE

The Committee is an independent advisory committee of Council established in terms of relevant legislation which must:

- 2.1 (a) Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to:-
- (i) Internal financial control and internal audits;
 - (ii) Risk management;
 - (iii) Accounting policies;
 - (iv) The adequacy, reliability and accuracy of financial reporting and information;
 - (v) Performance management;
 - (vi) Effective governance; and monitoring;
 - (vii) Monitoring and ensuring compliance with relevant legislation, the annual Division of Revenue Act and any other applicable legislation;
 - (viii) Performance evaluation; and
 - (ix) Any other issues referred to it by the municipality.
- (b) Review the annual financial statements to provide the council of the 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 relevant National Legislation, the annual Division of Revenue Act and any other applicable legislation.
- (c) Respond to the council on any issues raised by the Auditor-General in the audit report.



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- (d) Carry out such investigations into the financial affairs of the municipality as it may request; and
 - (e) Perform such other functions as may be prescribed by legislation.

2.2 In performing its functions, the Committee:

- (a) Shall have unrestricted access to the financial records, personnel and other relevant information of the municipality; and
- (b) Must liaise with:-
 - The internal audit unit of the municipality; and
 - The person designated by the Auditor-General to audit the financial statements of the municipality.

2.3 The Committee shall be the Committee of the District Municipality.

3. COMPOSITION

The Committee will consist of 4 (four) members. The Council will appoint committee members and the committee chair.

Each committee member will be independent, financially literate, and have knowledge of local government as well as performance management.

4. MEETINGS

The Committee shall meet quarterly and may meet separately and/or with management, the internal and the external auditor in order to discuss fundamental issues. Should a need arise, special meetings may be held with the authorisation of the Municipal Manager. Meetings of the Committee shall take place at the office of the District Municipality or alternative venue as may be necessary. All committee members are expected to attend each meeting of the audit committee. The quorum shall be minimum of 50 percent of the audit committee members.

5. RESPONSIBILITIES OF THE COMMITTEE

The committee will carry out the following responsibilities:

- (a) *Financial Statements*
 - Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent



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professional and regulatory pronouncements, and understand their impact on the financial statements.

- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.
- Review other sections of the annual report and related statutory requirements before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under Generally Recognised Accounting Practices.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

(b) *Internal Control*

- Consider the effectiveness of the Council's internal control system, including information technology security and control.
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

(c) *Risk Management*

- The committee is responsible for assisting the Accounting Officer in addressing its oversight risk management and evaluating and monitoring the institution's performance with regards to risk management.
- The role of the committee is to formulate, promote and review the institution's ERM objectives, strategy and policy and monitor the process at strategic management and operational management.
- To monitor and advise the Council on the preparation, implementation and maintenance of the Council's risk management strategy.



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(d) *Internal Audit*

- Approve the internal audit charter
- Consult with management regarding the appointment and removal of the chief audit executive. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Approve the annual plan and all major changes to the plan. Review the internal audit activity performance relative to its plan
- Review with the chief audit executive the internal audit budget, resource plan, activities, and organisational structure of the internal audit function
- Review the effectiveness of internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the *International Standards for Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

(e) *External Audit*

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee believes should be discussed privately.

(f) *Compliance*

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Council officials, and for monitoring compliance therewith.



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- Obtain regular updates from management and Council's legal advisors regarding compliance matters.
- (g) *Reporting Responsibilities*
- Quarterly report to the Council about committee activities, issues and related recommendations.
 - Provide an open avenue of communication between internal audit, the external auditors and the Council.
 - Report annually to the stakeholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
 - Review any other reports the Council issues that relate to committee responsibilities.
- (h) *Performance Management Systems*
- Review, monitor, make recommendations and report to Council on Council's performance management system (PMS) as required by the Municipal Planning and Performance Management Regulations, 2001.
- (i) *Other Responsibilities*
- Perform other activities related to this charter as requested by the Council.
 - Institute and oversee special investigations as needed.
 - Review and assess the adequacy of the committee charter annually, requesting Council's approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation.
 - Confirm annually that all responsibilities outlined in this charter have been carried out.
 - Evaluate the committee's and individual members' performance on a regular basis.

6. PERFORMANCE EVALUATION OF THE AUDIT COMMITTEE

It is important for the audit committee to assess its performance in order to determine if the Committee is able execute its obligation and to meet its objectives as set out in the Charter through self-evaluation process.



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An effective audit committee should conduct self-assessments or external self assessment on itself on an annual basis in order to measure its performance. Input from management, internal audit and external audit is part of the assessment process.

Council must annually review the performance or effectiveness of the Audit Committee.

7. REMUNERATION OF MEMBERS

Remuneration of Audit Committee members should be in accordance with Chapter 3 of National Treasury Regulations (PFMA) paragraph 20.2.2 as adjusted annually on the 1st of April.

Since the committee has members who works for other state entities, these members will be entitled to a sitting allowance in a case where the meeting sits or go beyond working hours of the Fezile Dabi District Municipality.

In addition to the above, members shall be remunerated a preparation fee of R 3 500.00 per sitting. Traveling costs will be reimbursed.

Members will also be remunerated for attending events, such as workshops; council meeting or training, where they are representing Fezile Dabi District Municipality.



Chairperson Audit Committee
M.A Mmapheto

04/11/2022
Date



Acting Municipal Manager
Adv L.S Khonkhe

4-11-2022
Date