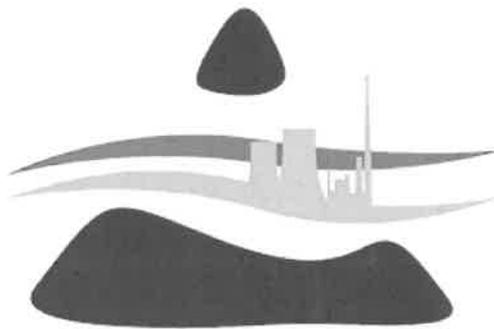


**AUDIT
COMMITTEE
CHARTER**



Fezile Dabi

District Municipality



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

Contents

1. LEGISLATIONS OBSERVED AND ASSOCIATED WITH THE AUDIT COMMITTEE	3
2. PUROSE.....	3
3. APPOINTMENT AND TERM OF OFFICE.....	3
5. COMPOSITION	5
6. CONFLICT OF INTEREST	6
7. MEETINGS	6
8. RESPONSIBILITIES OF THE COMMITTEE	7
9. PERFORMANCE EVALUATION OF THE AUDIT COMMITTEE	9
10. REMUNERATION OF MEMBERS.....	10
11. REVIEW AND APPROVAL OF THE CHARTER.....	11



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

1. LEGISLATIONS OBSERVED AND ASSOCIATED WITH THE AUDIT COMMITTEE:

The Constitution of the Republic of South Africa, Act 108 of 1996 as amended, Chapter 10, Section 195(1) (a)-(i) and Chapter 7, Section 152(1) (a) (e) and 152(2).

Local Government Municipal Systems Act: Municipal Planning Performance Management Regulations (Gazette 22605) (Regulation Gazette 7146) 24 August 2001 (S14 (2)).

Local Government: Municipal Structure, Act 117 of 1998 as amended, Section 79(1) (a) -(c) and Section 79(2) (a)-(f)

Local Government: Municipal Finance Management Act, Act 56 of 2003, Section 166.

2. 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.

3. APPOINTMENT AND TERM OF OFFICE

Members will be appointed by the Council/Board for a period of three years, after which they may be re-appointed for a further three-year period based on their individual performance. Members will not be contracted continuously for a period exceeding six years. After completing a six-year term, a cooling off period of two years will apply before a member may be reappointed. Where possible members' appointment will be staggered in line with staggered retirements and must be concluded at least three months in advance of expiry of retiring member's terms. The Council/Board must ensure that the Audit Committee members do not serve on more than three audit committees within local government.

When appointing members to serve on the Audit Committee and to ensure a balanced composition, the Municipality/Municipal Entity should seek to appoint candidates with the following abilities:

- Perform the role as advisor to management;
- Communicate effectively with management;
- Carefully review information received and obtain 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/Municipal Entity's strategic objectives and overall corporate governance of the council;
- Act independently and be proactive in advising the Municipal Manager/Chief Executive Officer and the Council/Board regarding issues that require further management attention;
- Encourage openness and transparency;



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

- 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.

The Chairperson should be appointed for a term of no less than three consecutive years. In appointing the Committee Chairperson, the consideration should be given to the following factors:

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

Members will undergo a formal induction process overseen by and in consultation with the Accounting Officer.

Member terms and conditions are disclosed in the letter of appointment, including provisions for circumstances, reasons and processes to be followed for termination of contracts.

4. VACATION OF OFFICE

An Audit Committee member's service must/can be terminated during a term if that member:

- Resigns as a member of the Audit Committee. Members must give at least two months' notice before terminating their contract and members are encouraged to share their knowledge prior to vacating the seat on the Committee. An exit meeting will be held, by the council, with each member upon resignation.
- Fails to attend three consecutive Audit Committee meetings, except if the Audit Committee member submits a written apology and it is approved at the meetings.

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

- 4.1 (a) Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to:-



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

- (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.
 - (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.

4.2 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.

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

5. COMPOSITION

The Committee will consist of 4 (four) members. The Council will appoint committee members and the committee chair. The Chairperson of the Committee must be appointed from the appointed members. Additionally, the Risk Committee chairperson and IT committee chairperson may be appointed from the appointed members and will be independent of the organization and will not be a political office bearer



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

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

The Committee collectively (not necessarily individually) should have:

- 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/Board and councillors /board members;
 - An understanding of local government;
 - Familiarity with risk management practices;
 - An understanding of internal controls;
 - An understanding of major accounting practices and public-sector reporting requirements;
 - An understanding of public sector reforms;
 - Familiarity with legislation applicable to Municipalities/Municipal Entities;
 - 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; and
 - An understanding of legal and information and communication technology
- Member terms and conditions are disclosed in the letter of appointment.

6. CONFLICT OF INTEREST

Each member of the Committee must declare any conflict of interest at each meeting. Should any member of the Committee have any personal interest or gain resulting from any discussion at a meeting he/she may not participate in any such discussion and may, at the discretion of the Chairperson be asked to leave the meeting.

7. 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.

The following non- members or designates have a standing invitation to attend all meetings:

- i. Municipal Manager/Chief Executive Officer;



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

- ii. Chief Financial Officer;
- iii. Directors;
- iv. Performance Manager;
- v. Representative from the Auditor-General's office;
- vi. Chief Audit Executive and Senior Internal Auditor;
- vii. Chief Risk Officer (or Official Delegated);
- viii. Provincial and National Treasury;
- ix. Invitations to attend Audit Committee meetings will be extended to senior management and professional advisors as deemed appropriate by the Audit Committee; and
- x. The chairperson of the MPAC will have a standing invite to the meetings.

8. 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 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*



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

- 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.
- (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.

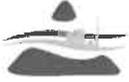


Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

- 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.
 - 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.

9. 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.



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

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.

The Committee will annually undertake self-assessment of its performance. The Chairperson will also provide each member with feedback on that member's contribution to the Committee's activities at least once during a member's term of office. The assessment will include training needs for each Committee member. Feedback will be provided to the Accounting Officer and Municipal Council/Board on the results of the findings of the evaluation.

Evaluation criteria include the following:

- Expertise and know-how
- Inquiry attitude, objectivity and independence
- Judgement
- Knowledge of local government and its objectives
- Understanding of and commitment to the committee's duties and responsibilities
- Devotion of time in order to participate effectively in committee duties.
- Timely responses
- Attendance at meetings

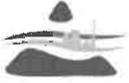
10. REMUNERATION OF MEMBERS

Traveling and sitting allowance will be paid in accordance with the National Treasury Circulars per sitting similarly as any committee of council, as issued and updated annually, for the duration of the contract.

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. This Audit committee charter is for the financial year ending 30 June 2025.



Fezile Dabi District Municipality
AUDIT COMMITTEE CHARTER

11. REVIEW AND APPROVAL OF THE CHARTER

The Committee will annually review its Charter to ensure that it remains relevant to the Committee's authority and responsibilities. All changes or amendments to the Charter will be discussed, endorsed by the Chairperson and approved by the Municipal Council.

Chairperson Committee
Mr M Mmapheto

28June2024

Date

Municipal Council Stamp

Date of approval by council:

Council Resolution Item number:

Effective Date:

F. REPORTS RECEIVED FROM THE SPEAKER

ITEM F1

FEZILE DABI DISTRICT MUNICIPALITY AUDIT COMMITTEE CHARTER FOR THE FINANCIAL YEAR 2024/25
(AUDIT COMMITTEE)

RESOLVED

- (a) That Council takes note of the Audit Committee charter for the financial year 2024/25.
- (b) That Council approves the Audit Committee charter from 01 July 2024.
- (c) That Council recommend the charter to be placed on the municipal website after approval.

For Attention

*Audit
Committee*

Presented by Mr. D. Mmapheto

Seconded by: Cllr N. Muller

Proposed by: Cllr. C. Serfontein

