



# **Audit and Performance Audit Committee Charter**

**REVISED: August 2023 for approval by the Committee in November 2023**

## **TABLE OF CONTENTS**

<b>1. THE PURPOSE OF THE CHARTER .....</b>	<b>3</b>
<b>2. CONSTITUTION (Municipal Finance Management Act, Section 166 (1)) .....</b>	<b>3</b>
<b>3. COMPOSITION OF THE COMMITTEE (MFMA Section 166 (4)).....</b>	<b>4</b>
<b>4. TERMS OF OFFICE AND TERMINATION OF SERVICE .....</b>	<b>5</b>
<b>5. MEMBERSHIP AND INDEPENDENCE .....</b>	<b>6</b>
<b>6. INDUCTION OF MEMBERS .....</b>	<b>6</b>
<b>7. ROLES AND RESPONSIBILITIES OF THE AUDIT &amp; PERFORMANCE AUDIT COMMITTEE .....</b>	<b>6</b>
<b>8. REMUNERATION OF MEMBERS.....</b>	<b>14</b>
<b>9. MEETINGS AND PROCEDURES FOR CONDUCTING MEETINGS .....</b>	<b>14</b>
<b>10. REPORTING &amp; ACCOUNTABILITY .....</b>	<b>16</b>
<b>11. PERFORMANCE ASSESSMENT .....</b>	<b>17</b>
<b>12. REVIEW .....</b>	<b>18</b>
<b>13. APPROVAL.....</b>	<b>18</b>
<b>14. DECLARATION BY THE AUDIT COMMITTEE MEMBERS: .....</b>	<b>19</b>
<b>Annexure A .....</b>	<b>20</b>

## **1. THE PURPOSE OF THE CHARTER**

The Audit Committee is established in terms of Section 166(1) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) and also fulfils the functions of a Performance Management Audit Committee constituted in terms of Regulation 14(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

The purpose of this Charter is to define the role and responsibilities, composition, structure, and membership requirements of the Audit and Performance Audit Committee (APAC). It also outlines relationships with other stakeholders, grants authority for the APAC to conduct inquiries and access the Municipality's records and personnel, establishes procedures for meetings, addresses the confidentiality and independence of APAC members, and provides for ethical conduct and reporting. All of this is done in accordance with applicable National and Local Government Legislation and regulations.

The Charter should be reviewed annually and updated to ensure relevance and consistency with the MFMA, Municipal Systems Act (No 32 of 2000), and other related regulations, guides, and best practices.

The Charter should serve as a basis for:

1. Preparing the APAC's annual work plan;
2. Setting the agenda for meetings;
3. Requesting skills and expertise to facilitate administration;
4. Making recommendations to the Accounting Officer and Municipal Council;
5. Assessing the APAC's performance by its Members, Municipal Council, Management, Auditor-General, and Internal Auditors;
6. Contributions and participation at meetings;
7. Maintaining oversight responsibilities of all financial and performance reporting;
8. Seeking reasonable assurance that the operations of the Municipality are conducted efficiently and effectively;
9. Seeking reasonable assurance that the Council has developed and complies with its policies, plans, procedures, and internal controls;
10. Seeking assurance that the Council complies with relevant legislation, regulations, and professional pronouncements.

The Charter is to be approved by the Municipal Council, and following approval, the APAC Charter is to be published on the Municipal Website to promote awareness among all stakeholders.

## **2. CONSTITUTION (Municipal Finance Management Act, Section 166 (1))**

The Municipality has established an APAC as an independent advisory body in terms of Section 166(1) of the Local Government: Municipal Finance Management Act, 2003 (MFMA).

The APAC should not perform any management/administrative functions or assume any management/administrative responsibilities; it provides a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the Council and Management. The APAC should primarily make recommendations to the Council for its approval or final decision.

### **3. COMPOSITION OF THE COMMITTEE (MFMA Section 166 (4))**

The APAC will comprise at least three (3) independent members with appropriate skills and experience, who are not employed by the Municipality. Additionally, no Councillor may be a member of the committee. In accordance with MFMA Circular 65 from the National Treasury, members should not serve on more than three local government audit committees simultaneously. If the Council considers the appointment of such an applicant, the performance of the applicant must not negatively impact the Audit Committee.

Under resolution C/1/155/06/23, the Council resolved that the current Chairperson, who serves on more than three local government audit committees, may finish her second term as Chairperson. Her involvement in more than three Audit Committees has not negatively impacted the performance of Bitou's APAC. However, at the end of her term, no members should serve on more than three Audit Committees.

A quorum for any meeting will be 50% of the APAC members, with a minimum of 2.

The appointed members should collectively possess the skills and experience appropriate to carry out their responsibilities, including an understanding of:

1. Private & public sector experience;
2. Service delivery priorities;
3. Good governance and/or financial management experience;
4. The role of Council & Councillors;
5. The operations of the Municipality;
6. Risk management practices;
7. Internal controls;
8. Accounting practices and public sector reporting requirements;
9. Public sector reforms;
10. Legislation applicable to municipalities;
11. Roles and responsibilities of internal and external auditors;
12. Performance management systems;
13. Understand the Municipality's process in treating all allegations and investigations;
14. Sustainability issues;
15. Information technology governance as it relates to integrated reporting; and
16. Integrated reporting.

Collectively, members will include at least:

1. Two members with sound financial knowledge;
2. A member with sound performance management knowledge;

3. A member with the necessary standing and expertise to provide the Municipality with assurance that risks are being appropriately managed;
4. A member with sound legal knowledge;
5. A member with sound knowledge and experience of local government Information Technology systems and structures; and
6. A member with community understanding.

Members of the APAC are expected to take a keen interest in the affairs of the Municipality, stay informed about the activities of Council, the Mayoral Committee, and Council's Committees, and proactively provide timely advice, as appropriate in terms of its mandate under this Charter.

The APAC, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties upon the approval of the Accounting Officer.

#### **4. TERMS OF OFFICE AND TERMINATION OF SERVICE**

The Council shall appoint the members of the APAC and its Chairperson. The shortlisting and interviewing of candidates for appointment as APAC members shall be conducted by a committee appointed by the Council for this purpose. The committee shall make recommendations to the Council regarding which candidates should be appointed as APAC members. The Council shall have complete discretion as to whether or not to appoint all or any of the recommended candidates.

To enhance the independence of the APAC, the terms of office for its 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 APAC.

APAC members should serve a minimum of three (3) years with an option for the Municipality to renew for another three (3) years based on their individual performance. Recruitment of members should be staggered to prevent a loss of knowledge and skills in the APAC. The recruitment process for new members should be concluded at least three months in advance of the expiry of the existing members' term. The Chief Audit Executive and the Accounting Officer must maintain records of APAC member contracts and ensure that recruitment is undertaken as mentioned above.

Rotation of members is encouraged as it enhances the independence of the APAC. Members of the APAC should not be contracted continuously for a period exceeding 6 years. After serving consecutively for six years, a cooling-off period of two years should be provided before appointing the same member to the APAC.

APAC members should have the opportunity to have an exit meeting with the Council to discuss the reasons for leaving and to provide feedback on their experience on the APAC, as well as any other issues. The date of resignation should be minuted by the secretariat of the APAC.

Any member absent without leave from two consecutive APAC meetings may be removed from the APAC by the Council unless an acceptable excuse has been tabled and accepted by the APAC at the meeting following the second absence.

APAC members can be dismissed by the Municipal Council following due process. The Municipal Council should consult the charter when dismissing members of the APAC. Reasons for dismissal, among others, would normally be detailed in the Charter, such as where an ongoing conflict of interest exists, where a member has not performed to expectations, or a member breached the confidentiality clause as set out in 7.13 of this document.

The appointment of a member will be terminated if he/she is declared bankrupt or found guilty of fraud, corruption, or any offence where dishonesty is an element in a court of law during his/her term of office.

## **5. MEMBERSHIP AND INDEPENDENCE**

The APAC should be independent and safeguarded from undue influence in objectively exercising its responsibilities. To enhance the functioning of the APAC, the following is required:

1. The APAC Chairperson and members should be independent of the Municipality.
2. The APAC Chairperson and members should not be biased but should exhibit independence of mental attitude during deliberations.
3. APAC members should, at all meetings, declare private and business interests that have a bearing on or relate to the business and operation of the Municipality.
4. All members should not carry out any undeclared business with the Municipality.

## **6. INDUCTION OF MEMBERS**

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 roles and responsibilities of the Audit Committee must be clarified.

The induction process should include sufficient briefings and information on their roles, responsibilities, accountability, and the Council's expectations.

Refer to National Treasury MFMA Circular 65 for a summary of information to be provided to new members.

## **7. ROLES AND RESPONSIBILITIES OF THE AUDIT & PERFORMANCE AUDIT COMMITTEE**

The APAC will advise the Municipal Council, the Accounting Officer, and the Management of the Municipality on matters relating to:

1. Statutory responsibilities in terms of Section 166 (2&3) of the MFMA;
2. Performance Management;
3. Internal audit;
4. Control Environment;
5. Risk Management;
6. External audit;
7. Annual Financial Statements;
8. Compliance with laws, regulations, and ethics;
9. Information Technology (IT);
10. Combined Assurance;
11. Authority;
12. Relationships with stakeholders; and
13. Any other issues referred to it by the Municipality.

### **7.1. Statutory responsibilities in terms of Section 166 (2&3) of the MFMA**

The Committee must [**MFMA: S166 (2)**]:

- a) Advise the municipal council, the political office-bearers, the Accounting Officer, and the Management 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;
  - vii) Compliance with the MFMA, 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 or municipal entity.
- 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 MFMA, the annual Division of Revenue Act, and any other applicable legislation;
- c) Respond to 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 the Council of the municipality may request; and
- e) Perform such other functions as may be prescribed.

In performing its functions [**MFMA: S166 (3)**] –

- a) Have access to the financial records and other relevant information of the Municipality; and
- b) Must liaise with –
  - i) The Internal Audit Unit of the Municipality; and
  - ii) The person designated by the Auditor-General to audit the financial statements of the Municipality.

## **7.2. Performance Management**

The Audit Committee shall consider matters relating to performance management at least quarterly to discharge the responsibilities prescribed in terms of Regulation 14(4) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

Part of the responsibilities of the APAC includes a good understanding of the performance management system, policy, and strategy of the Municipality to review performance management. These include:

- a) Review and comment on compliance with statutory requirements and performance management best practices and standards;
- b) Review and comment on the alignment of the Integrated Development Plan (IDP), the Budget, Service Delivery and Budget Implementation Plan (SDBIP), and Performance Agreements;
- c) Review and comment on the relevance of indicators to ensure they are measurable and relate to services performed by the Municipality (SMART);
- d) Review compliance within-year reporting requirements;
- e) Review the quarterly performance reports submitted by the internal audit;
- f) Include the performance management information in the audit report to Council;
- g) Review and comment on the Municipality's annual financial statements and timely submission to the Auditor-General by 31 August each year;
- h) Review and comment on the Municipality's and entities' annual reports within the stipulated timeframes; and
- i) Review and comment on the Municipality's performance management system and make recommendations for its improvement;
- j) The Chairperson, or another member in his/her absence, shall attend the formal evaluation of Section 56 & 57 employees.

## **7.3. Internal Audit**

An important role of the APAC concerning the internal audit will be to monitor, assess, and report on the effective functioning of the internal audit:

- a) Understand the charter, independence, and activities of the internal audit function;
- b) Regularly review the functional and administrative reporting lines of the internal audit function to ensure that the organizational structure is consistent with the principles of independence and accountability;
- c) Review and approve the internal audit charter, including the internal audit strategic plan;
- d) Approve any special/ad hoc internal audit requests;
- e) Confirm that the annual audit plan makes provision for critical risk areas in the Municipality;
- f) Advise the Municipality on resources allocated to give effect to the work outputs of the internal audit function;



- g) Confirm that there is support for the internal audit unit and external auditors from senior management;
- h) Confirm actions taken by management concerning the action plan;
- i) Consider and review reports relating to difficulties encountered during the audit engagement, including any scope limitation or access to information reported to the accounting officer that remains unresolved;
- j) Evaluate the performance of the internal audit activity in terms of the agreed goals and objectives as captured in the audit plan;
- k) Confirm that the chief audit executive has reasonable access to the chairperson of the APAC;
- l) Conduct a high-level review of internal audit on an annual basis to ascertain whether the internal audit unit complies with the International Standards for the Professional Practice Framework;
- m) Concur with any appointment and termination of the services of the chief audit executive;
- n) Ensure that the internal audit function is subject to an independent quality review every 5 years.

The internal audit unit is accountable to the APAC as follows:

- a) Maintaining open and effective communication with the APAC.
- b) Developing a flexible annual audit plan using a risk-based methodology.
- c) Submitting the audit plan to the APAC for review and approval.
- d) Reporting on the implementation and results of the annual audit plan, including special tasks approved by the APAC.
- e) Assisting in drafting the agenda and documentation and facilitating their distribution to the APAC in advance of meetings.
- f) Meeting periodically with the chairperson of the APAC to discuss whether the material and information furnished meet the requirements of the APAC.
- g) Cooperating with the APAC as they conduct annual reviews of the performance of the internal audit function.
- h) Submitting the internal audit charter to the APAC for review and approval on an annual basis and as necessary.

#### **7.4. Control Environment**

The APAC members need to have a good understanding of the control environment. In fulfilling their responsibility, the APAC should:

- a) Evaluate the overall effectiveness of the internal control framework and consider whether recommendations made by the internal audit and/or external auditors have been implemented by management;
- b) Establish whether management has relevant policies and procedures in place and that these are adequate, effective, and regularly updated;
- c) Determine whether appropriate processes are followed and complied with regularly;
- d) Consider measures applied to any required changes to the design or implementation of internal controls; and

- e) Assess steps taken by management to encourage ethical and lawful behaviour, financial discipline, and accountability for the use of public resources.

### **7.5. Risk Management Activities**

The Accounting Officer is responsible for the establishment of effective risk management within the Municipality.

The APAC will provide an independent and objective view of the effectiveness of the Municipality's Risk Management. Where there is a separate Risk Management Committee, the APAC will review recommendations made by this committee.

The APAC must also provide feedback to the Accounting Officer and Municipal Council on the adequacy and effectiveness of risk management in the Municipality.

### **7.6. External Audit**

The APAC responsibilities concerning the external audit:

- a) Take cognizance of the scope of work undertaken by the external auditor and the extent of coordination with the internal audit unit;
- b) Review annual external audit plans, audit fees, and other compensation;
- c) Review reports and monitor management's implementation of audit recommendations;
- d) Review the report on the financial statements and matters raised therein for reasonability and accuracy;
- e) Conduct a review of the extent to which previously reported findings by the external auditor have been addressed by the Municipality;
- f) Provide advice to the Accounting Officer on actions taken relating to significant matters raised in external audit reports;
- g) Liaise with the external auditors on any matter that the APAC considers appropriate to raise with the external auditor;
- h) Confirm that the external auditors have reasonable access to the management and chairperson of the APAC;
- i) Address any potential restrictions or limitations with the Accounting officer and Council.

### **7.7. Annual Financial Statements**

The draft annual financial statements should be reviewed by the APAC before submission to the Auditor-General. The process and timelines for APAC meetings should be adjusted accordingly.

The APAC must review the annual financial statements to provide the Municipality with an authoritative and credible view of the financial position of the municipality by:

- a) Reviewing the annual financial statements to provide the Municipality with an

- authoritative and credible view of the financial position of the Municipality and compliance with the legal framework;
- b) Evaluating the annual financial statements of the Municipality for reasonableness, completeness, and accuracy and providing timely comments thereon;
- c) Considering the Auditor-General's opinion on the quality and appropriateness of the Municipality's accounting policies;
- d) Reviewing the efficiency and effectiveness of internal controls over the annual financial statement's preparation and reporting;
- e) Reviewing the expertise, resources, and experience of the finance function of the Municipality and disclosing the results of the APAC's review in the report for the Annual Performance Report;
- f) Considering the suitability of the expertise and experience of the Director of Finance (Chief Financial Officer) every year.

Specifically, concerning annual financial statements, the APAC should review and challenge where necessary:

- a) Arithmetical accuracy and consistency;
- b) Consistency of, and changes to, accounting policies, compared to prior years;
- c) Methods used to account for significant or unusual transactions where different approaches are possible;
- d) Whether the Municipality has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account previous audit outcomes;
- e) The quality of disclosure in the Municipality's financial reports and the context in which statements are made;
- f) 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) All material issues in prior reports by the Auditor-General have been appropriately accounted for, resulting in fair presentation; and
- h) Conduct Analysis of trends and other financial ratio calculations e.g. year-on-year comparisons and composition of primary groups 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.

## **7.8. Compliance with laws, regulations and ethics**

The APAC shall assess whether the management of the Municipality has the necessary mechanisms in place to ensure compliance with pertinent laws and regulations and is conducting its affairs ethically.

This must include maintaining effective controls against conflicts of interest, fraud, and corrupt practices.

The specific steps involved in carrying out this responsibility include:

- a) Reviewing policy documents that should incorporate compliance with laws,

- regulations, ethics, policies, King IV provisions, and rules regarding conflicts of interest;
- b) Monitoring compliance with the policy documents;
  - c) Taking note of significant cases of conflicts of interest, misconduct, or fraud and the resolution of these cases;
  - d) Making recommendations regarding any potential conflicts of interest or questionable situations of a material nature brought to its attention;
  - e) Reviewing the Internal and External Auditor's written reports concerning the scope of reviews of compliance, any significant findings, and the resolution and follow-up on findings and recommendations;
  - f) Monitoring developments and changes in the law relating to the responsibilities and liabilities of management and reviewing the extent to which management is meeting its obligations;
  - g) Monitoring developments and changes in the various rules, regulations, and laws that relate generally to Municipal operations and reviewing the extent to which the Municipality is complying with such laws;
  - h) Reviewing the process for communicating the code of conduct to the Municipality's personnel and for monitoring compliance therewith; and
  - i) Obtaining regular updates from management and, where necessary, legal counsel regarding compliance matters.

#### **7.9. Information Technology (IT) Governance**

- a) The APAC is required to provide advice on IT governance, access controls, and the safeguarding of information in the Municipality;
- b) Specific expertise may be required from within or outside the Municipality from time to time to assist the internal audit unit and APAC in formulating recommendations on systems and controls;
- c) The APAC may have to advise on the appropriateness of disaster recovery and continuity plans supporting IT risks, regular testing, and the evaluation of plans, systems, and processes.

#### **7.10. Combined Assurance**

The APAC should confirm whether an effective combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular, the APAC should:

- a) Review whether the combined assurance received is appropriate to address all the significant risks facing the municipality; and
- b) Monitor the relationship between the external assurance providers and the Municipality.

#### **7.11. Authority**

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

its charter.

In carrying out its responsibility to conduct investigations in terms of Section 166(2) of the MFMA and its other roles and responsibilities in terms of this Charter, the APAC is hereby further authorised to:

- a) Communicate with the Council, Municipal Manager, the Management or the Internal and External Auditors of the Municipality;
- b) Have access to municipal records containing information that is needed to perform its duties or exercise its powers;
- c) Request any relevant person to attend any of its meetings;
- d) Conduct investigations into the financial affairs of the Municipality as may be requested by the Council of the Municipality;
- e) Liaise with the Internal Audit of the Municipality and the person designated by the Auditor-General to audit the financial statements of the Municipality;
- f) Review and approve management requests for extra work to be carried out by the internal auditors in particular areas of the accounting and control systems;
- g) Investigate any activity within its terms of reference;
- h) Communicate to the external auditor, any fraud, suspected fraud or fraud investigation currently being conducted;
- i) Discuss any concerns about the nature, extent and frequency of management's assessment of the accounting and control systems in place to prevent and detect fraud, with the external auditor.

The APAC has an independent role with accountability to the Council. It does not assume the functions of management, which remain the responsibility of the Accounting Officer and Senior Management.

#### **7.12. Relationship with Stakeholders**

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

- a) Municipal Council;
- b) Municipal Public Accounts Committee;
- c) Accounting Officer;
- d) Management and staff;
- e) Internal Auditors and External Auditors;
- f) Provincial Treasury;
- g) National Treasury.

#### **7.13. Confidentiality**

Information obtained as a member of the APAC is confidential, secret, and valuable and may not be disclosed by any member of the APAC, verbally or in any form of replication of documents.

The only exception will be if confidential information is requested from the Chairperson of

the APAC by a regulatory body as part of an investigation, audit, or instruction by the Court.

Members of APAC who are in breach of this confidentiality clause as set out in this Charter will face disciplinary and possibly legal action.

This confidentiality clause is binding even after a member's term has come to an end or membership has been terminated.

## **8. REMUNERATION OF MEMBERS**

The members of the APAC shall be remunerated for attending APAC meetings as well as for preparation time. The Municipality will utilise the rates per day provided by the National Treasury, as amended from time to time.

The remuneration for the chairperson of the APAC includes the APAC reporting responsibility and attending the Mayoral and Council meetings, on invitation from the Speaker and/or Municipal Council when the APAC reports are presented. Any member of the APAC who attends any other committee meetings and/or serves on any other committee of the Council should be paid in terms of that specific committee's terms of reference or charter and be paid from the budget of the Directorate to which that committee belongs.

Remuneration will only apply to officials employed outside the public service. No remuneration for participating in APACs 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 reimbursement of all members for travel expenditures must be determined following 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 APAC, 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 APAC meetings.

Members should be remunerated at National Treasury rates when invited to attend work-related workshops.

Virtual Meetings will be remunerated at National Treasury rates for attending APAC meetings as well as for preparation time, only for the members attending the entire virtual meeting. The members will be required to use their own IT equipment and connectivity (data) to attend the entire virtual meeting.

## **9. MEETINGS AND PROCEDURES FOR CONDUCTING MEETINGS**

### **9.1. Frequency**

The APAC must establish an annual work plan for each year to ensure that all relevant matters

are covered by the agendas of the meetings planned for the year (The annual work plan is attached hereto as Annexure A).

The number, timing, and length of meetings, as well as the agendas, are to be determined by the annual plan. Meetings of the APAC will be held as frequently as the APAC considers appropriate, but not less than four times a year.

The dates of meetings should be determined at the beginning of the calendar year according to the Top Layer Key Performance Indicators of the Municipal Manager. This will assist members and invitees to diarise meetings in advance.

Any member of the APAC, the External Auditors, and the Chief Audit Executive (CAE) may call special meetings of the APAC when deemed necessary.

## **9.2. Attendance and preparations/arrangements**

The secretariat's responsibilities are to be performed by the internal audit unit or as otherwise determined by the Accounting Officer. This includes providing all administrative support to the APAC meetings, sending invitations and documentation to members, coordinating and compiling APAC meeting documentation, taking minutes at APAC meetings, preparing all logistical arrangements relating to APAC meetings, including arrangements for the prompt payment of claims and fees to the members of the APAC. Payments for any other committee should be attended to by the Directorate responsible for that committee.

The Chief Audit Executive, in consultation with the APAC secretariat of the Municipality, must ensure that the required preparation for the meeting of the APAC is finalized at least 7 days before the commencement of the meeting, and substantive work would be undertaken for the duration of the meeting.

The following persons should have a standing invitation to the APAC and attend all meetings:

- a) Municipal Manager;
- b) Chief Audit Executive;
- c) All Directors;
- d) Manager IDP;
- e) PMS Coordinator;
- f) Manager Legal Services;
- g) Senior Manager Public Safety (Fire, Disaster & Security Risk);
- h) Senior Manager Human Resources (OHS risks and OHS risk incidents);
- i) Manager ICT (IT risks);
- j) Chief Risk Officer;
- k) A representative from the Office of the Auditor-General (SA);
- l) The Chairperson of MPAC;
- m) Any other person on invitation by the Chairperson of the APAC.

The Chief Audit Executive, in consultation with the APAC Chairperson, must determine the time frames of all meetings. In light of the financial implications, the Accounting Officer, in

consultation with the Chairperson of the APAC, must agree if meetings go beyond a one-day sitting.

All members of the Audit Committee must have their own IT devices and software and be able to use their private data to attend virtual meetings as and when required.

### **9.3. Proceedings**

Unless varied by these terms of reference, meetings and proceedings of the APAC will be governed by the Municipality's rules of order regulating the meetings and proceedings of the Council and sub-committees of the Council.

### **9.4. Agenda and Minutes**

A detailed agenda, together with supporting documentation, must be circulated at least seven (7) calendar days before each meeting to the members of the APAC and other invitees. For special meetings, the Chairperson can waive this requirement.

APAC members must be fully prepared for the APAC meetings to provide appropriate and constructive input on matters discussed.

Minutes of meetings shall be taken by the Secretariat and must be completed within seven (7) days after the meeting and circulated to the Chairperson. The minutes must be formally approved by the APAC at its next scheduled meeting.

The CAE is responsible for the submission of reports of the APAC for inclusion in the agenda for the Council. As part of his/her duties, the Chairperson is responsible for attending and presenting the APAC reports at the Mayoral and Council meetings.

### **9.5. Quorum and Members' Responsibility**

The quorum for decisions of the APAC will be 50% of the members (with a minimum of two members) present at the meeting of the APAC where the decisions are approved.

Should a member/s not be able to attend a meeting without sufficient prior communication to the Chairperson of the APAC, and a quorum cannot be reached at the scheduled meeting, the responsible member/s will be held accountable for all wasteful expenditure relating to the scheduled meeting.

## **10. REPORTING & ACCOUNTABILITY**

As part of his/her duties, the chairperson of the APAC will report bi-annually or more frequently if required, to the Municipal Council on the operations of the internal audit unit and the APAC. The report should include:

1. A summary of the work performed by the internal audit and the APAC against the annual work plan;



2. Effectiveness of internal controls and additional measures that must be implemented to address identified risks;
3. A summary of key issues dealt with, such as significant internal and external audit findings, recommendations, and updated status thereof;
4. Progress with any investigations and their outcomes;
5. Details of meetings and the number of meetings attended by each member; and
6. Other matters requested of the internal audit and APAC.

As part of their duties, the APAC shall prepare a report annually, which will be incorporated into the Municipality's annual report. The report will contain the following:

1. Describing the functions performed by the APAC and meetings attended;
2. Resolutions taken by Council and the implementation status of recommendations made; and
3. Other relevant comments that may enhance governance and accountability.

The chairperson of the APAC must submit a copy of its report at least annually, or at other intervals, to the Municipal Public Accounts Committee (MPAC), for consideration. The Chairperson of the APAC or a member in his/her absence must always be available whenever MPAC needs clarity on the report of the APAC.

## **11. PERFORMANCE ASSESSMENT**

The APAC should assess its performance and achievements against its charter on an annual basis. This assessment would cover the performance of the individual member as part of the overall APAC, regarding the particular skills the member has brought to the APAC as a whole.

The self-assessment aims to ensure that the APAC is meeting its objectives efficiently and effectively. The external assessment of the APAC will be completed by The Speaker or the Executive Mayor (on behalf of the Council), The Accounting Officer (on behalf of Management), and the CAE (on behalf of the Internal Audit). The findings of the self-assessment should be presented to the CAE for submission to Council.

Where the self-assessment highlights a need for enhancements to the role, operational processes, or membership of the APAC, the Chairperson should take action to ensure that such enhancements are implemented. The Chairperson may consult with the Accounting Officer to obtain appropriate support to ensure all enhancements are implemented.

Where the APAC is not performing according to the Charter and this has been observed by various stakeholders, such as from the external assessments, it would be appropriate for this or other issues to be brought to the attention of the Accounting Officer and Council.

If an individual APAC member is not performing, then the member must be allowed to address such with the Council. If it is considered necessary to terminate the services of an APAC member before the end of the term of appointment, proper procedures should be followed (Refer to "4. Terms of office and termination of service" in this document).

## 12. REVIEW

This charter will be reviewed annually and updated to ensure relevance and consistency with the MFMA, Municipal Systems Act (No 32 of 2000), and other related regulations, guides, and best practices.

## 13. APPROVAL



**MUNICIPAL MANAGER**

15 November 2023

**DATE**

**AND BY THE AUDIT COMMITTEE:**



**CHAIRPERSON: AUDIT COMMITTEE**  
R Shaw

15 November 2023

**DATE**

**14. DECLARATION BY THE AUDIT COMMITTEE MEMBERS:**

The Audit Committee Members hereby declare that they have familiarized themselves with the content of the Charter and agree to abide by the terms as set out in the Charter.



Mrs. R. Shaw (Chairperson)

15 November 2023

Date

Mr. K. Zono

Date



Mr. M. Hennessy

21 November 2023

Date



Mr. M. Brewis

24 November 2023

Date

NO.	AGENDA ITEM	Q4 JULY	SPECIAL AUGUST	Q1 OCTOBER	Q2 JANUARY	Q3 APRIL
1	Opening and Welcome					
2	Attendance and apologies					
3	Confirmation of Agenda					
4	Declaration of Interests					
5	Minutes of previous Meeting & updated Resolution Register 5.1 Confirmation of the Minutes and signature by Chairperson 5.2 Matters arising from the Minutes & updated resolution register					
6	Update by Accounting Officer					
7	Finance reports:					
7.1	Report in terms of Section 52(d)	✓		✓	✓	✓
7.2	Report in terms of Section 72				✓	
7.3	Review of Annual Financial Statements		✓			
7.4	Draft adjustments budget				✓	
7.5	Audit Action Plan	✓		✓	✓	✓
7.6	SCM & Contract Management	✓		✓	✓	✓
7.7	List of deviations year- to – date	✓		✓	✓	✓
7.8	Register of Irregular, Fruitless and Wasteful and Unauthorised expenditure	✓		✓	✓	✓
7.9	Report on Litigations with suppliers (date case commenced, short detail, cost incurred to date)	✓		✓	✓	✓
8	Performance Management					
8.1	Performance Information for the quarter	✓		✓	✓	✓
8.2	Review Annual Performance Report		✓			
8.3	Draft adjusted SDBIP				✓	
9	Risk Management and Compliance					
9.1	Risk Management Committee Feedback					
9.2	Risk register update	✓		✓	✓	✓
9.3	Fraud Prevention Plan	✓		✓	✓	✓
9.4	Feedback from management on Anti-fraud programmes	✓		✓	✓	✓
9.5	Feedback from management on monitoring of compliance with laws and regulations	✓		✓	✓	✓
9.6	10 Top Strategic and Operational Risks and feedback as to how these risks have been managed and mitigated during the quarter under review	✓		✓	✓	✓
10	Corporate Services Reports					
10.1	List of all Policies in the Municipality	✓		✓	✓	✓
10.2	Report on Back-to-basics	✓		✓	✓	✓
10.3	Report on Vacancies as per the approved organogram	✓		✓	✓	✓
10.4	HR Update – Including status on HR Plan	✓		✓	✓	✓

NO.	AGENDA ITEM	Q4 JULY	SPECIAL AUGUST	Q1 OCTOBER	Q2 JANUARY	Q3 APRIL
10.5	Report on Reviewing the organogram of Koukamma Municipality					✓
10.6	Report on the 8 week rule (Leave Management)	✓		✓	✓	✓
10.7	Report on the Overtime	✓		✓	✓	✓
10.8	Report on Acting Appointments	✓		✓	✓	✓
10.9	Back –to -basics	✓		✓	✓	✓
10.10	Review Draft Annual Report				✓	
10.11	Report on al suspended employees, if any (date suspended, reason for suspension, legal costs incurred to date, salary paid to employee whilst on suspension)	✓		✓	✓	✓
11	<b>Technical Services</b>					
11.1	Report on unaccounted water use and loss of potential Revenue in Koukamma Municipality	✓		✓	✓	✓
11.2	Progress Report on the Electricity Distribution losses & Report with Eskom	✓		✓	✓	✓
12	<b>Internal Auditor Reports</b>					
12.1	Internal audit plan and 3-year strategic plan	✓				
12.2	Quarterly Internal Audit report	✓		✓	✓	✓
12.3	Update on the Internal Audit findings tracker	✓		✓	✓	✓
12.4	Internal Audit Charter Review	✓				
12.5	Audit Committee Charter Review	✓				
12.6	Internal audit assessment	✓				
12.7	Audit Committee assessment	✓				
12.8	Approval of the Internal Audit Plan				✓	
13	<b>ICT Reports</b>					
13.1	Implementation of the IT Governance Framework	✓		✓	✓	✓
13.2	Progress on the implementation of the Action plan to address AG IT findings	✓		✓	✓	✓
13.3	Minutes of IT Steering committee meeting	✓		✓	✓	✓
13.4	Disaster and recovery plan	✓		✓	✓	✓
14	<b>Governance</b>					
14.1	Actual or suspected or alleged fraud ( for each directorate and Internal Audit and report must be signed off by Director) indicate by “yes” or “no”	✓		✓	✓	✓
15	<b>Auditor -General</b>					
15.1	Auditor – Progress report			✓		
15.2	Auditor – Management Letter discussion				✓	
16	<b>Audit Committee</b>					
16.1	Submission of Report to Council	✓		✓	✓	✓
16.2	Submission of self –evaluation report			✓		✓

NO.	AGENDA ITEM	Q4 JULY	SPECIAL AUGUST	Q1 OCTOBER	Q2 JANUARY	Q3 APRIL
				✓		✓
17	Consideration of matters to be raised to the Mayor					
18	General					
19	Date of Next meeting					
20	Closure					