

## **POLICY 02/2015 RAADSBELEID**

**ONDERWERP** : AUDIT COMMITTEE CHARTER IN TERMS OF SECTION 166 OF THE MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)

**VERWYSING** : 5.14.B

**BESLUIT NR** : 6/05.1/2015 (SCM)                      **DATUM** : 13 May 2015

### **//KHARA HAIS MUNICIPALITY AUDIT COMMITTEE CHARTER**

#### **1. Purpose**

To assist the Audit Committee in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, the process for monitoring compliance with laws and regulations and the code of conduct.

#### **2. Authority**

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to, but not limited to the following:

- É Resolve any disagreements between management and the auditor regarding financial reporting;
- É Pre-approve all auditing and non-audit services;
- É Retain independent counsel, accountants, or others in consultation with the Accounting Officer, to advise the committee or assist in the conduct of an investigation;
- É Seek any information it requires from all employees; and
- É Meet with management, external auditors, or outside counsel, as necessary.

#### **3. Composition**

The Audit Committee will consist of at least three members of which the majority will not be employees of the entity to be served. Council must appoint Audit Committee members and the chairperson.

#### **4. Meetings**

The committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

#### **5. Remuneration**

Audit Committee members not holding executive office in the organisation or not being in the public service shall be remunerated for their services on the Audit Committee based on meetings attended. The Chairperson of the Audit Committee shall be paid additional remuneration for such attendance and for services related to the Audit Committee. Remuneration shall be determined in line with guidelines issued by National Treasury.

## **6. Responsibilities**

The committee will carry out amongst others the following responsibilities:

### **6.1 Financial Statements**

- Review the annual financial statements and consider whether they are fairly presented, complete and reflect appropriate accounting principles;
- Review other sections of the annual report and related regulatory filings 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 the standards or legislation; and
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

### **6.2 Internal Control**

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

### **6.3 Internal Audit**

- Review with management and the Senior Manager Internal Audit (CAE) the charter, strategic and operational plans, internal audit activities, staffing and organizational structure of the Internal Audit;
- Ensure there are no unjustified restrictions or limitations, review and concur on the appointment, replacement, or dismissal of the Senior Manager Internal Audit (CAE);
- Review the effectiveness of Internal Audit, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing; and
- On a regular basis, meet separately with the Senior Manager Internal Audit (CAE) to discuss any matters that the committee or internal audit believes should be discussed privately.

### **6.4 External Audit**

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

### **6.5 Compliance**

- Review the effectiveness of compliance with laws and regulations.
- Review the findings of management's investigation (including disciplinary action) where instances of non-compliance occur;

### **6.6 Reporting Responsibilities**

- Report at least twice a year to Council on the activities of the Audit Committee.
- All minutes of the Audit Committee must be tabled to Council for approval.

- Regularly report to the Accounting Officer about committee activities, issues, and related recommendations;
- Provide an open avenue of communication between Internal Audit, the external auditors and management;
- Review any other reports that the entity issues relating to committee responsibilities;
- Perform other activities related to this charter as requested by the Accounting Officer;
- 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; and
- Evaluate the committee's and individual members' performance on a regular basis.

**7. Contractual obligations**

All members of the Audit Committee are obliged to sign a contract with the municipality which will determine the terms of office, roles and responsibilities.

This Audit Committee Charter is approved by Council on 13 May 2015 and will come into effect on the date of approval.

\_\_\_\_\_  
Accounting Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairperson of the Audit Committee

\_\_\_\_\_  
Date