



MUNISIPALITEIT DAWID KRUIJER MUNICIPALITY

POLICY 03/2020 RAADSBELEID

SUBJECT/ONDERWERP: **INTERNAL AUDIT COMMITTEE CHARTER**

REFERENCE/VERWYSING: **4.5.7.1**

RESOLUTION NR/BESLUIT NO: **11/06.2/2020 (SCM)**

DATE/DATUM: **11 June 2020**

1. LEGISLATIVE IMPERATIVE

The Audit Committee is appointed by Council in terms of Section 166 of the MFMA, to assist Council as required by the charter in discharging its oversight function.

2. DEFINITIONS AS APPLICABLE IN THE CHARTER

MFMA: Municipal Finance Management Act, No 56 of 2003

Council: Shall be the Municipal Council of Dawid Kruijer Municipality

CAE: Chief Audit Executive is hereby referred to as the Senior Manager Internal Audit.

Accounting officer: Shall be the Municipal Manager of the Dawid Kruijer Municipality

Chairperson: Shall be the person appointed by the Council of Dawid Kruijer Municipality to preside over meetings as outlined in the MFMA.

The Committee herein shall be referred to as the Audit Committee

3. OVERALL OBJECTIVE

The Committee must advise Council, Political Office Bearers, Administration of the Dawid Kruijer Municipality on matters relating to internal financial controls and internal audits; risk management; accounting policies; Adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; compliance with the Act, the annual Division of Revenue Act and applicable legislation as well as performance evaluations.

4. AUTHORITY

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

- Communicate with the council, municipal manager or the internal and external auditors of the municipality;

- Have access to municipal records containing information that is needed to perform its duties or exercise its powers.
- Request relevant persons to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- Conduct investigations into the financial affairs of the municipality, as may be requested by the council of the municipality.

5. COMPOSITION AND PROCEDURES

- Council will appoint the Committee members as well as the Chairperson (“Chairperson”) of the Committee.
- The Committee will comprise at least 3 and not exceed 5 members and all members shall be independent and not employees of the municipality.
- A quorum of a meeting will be at least be half of the members of the Committee with a minimum of 2.
- Each member should have skills and experience appropriate to the municipality’s business.
- An audit committee member shall declare conflicting private and business interest if it is relevant to an item on the agenda of an audit committee meeting.
- Members shall at least be financial proficient and at least one of the members must be an accountant or related financial expertise; at least one member must have expertise in performance management; while the Committee members should have a collective understanding of matters such as sustainability reporting, internal and financial controls, internal and external audit processes, major accounting practices and public sector reporting, treatment of allegations and investigations, service delivery priorities, municipal law, risk management, information technology as it relates to integrated reporting, and governance processes within the municipality and community affairs.
- Members will be appointed for a term of office of three years and must be strictly kept that audit committee members may not serve for more than two terms of office consecutively.
- The secretary of the Committee will be the Directorate Corporate Services of the Municipality.
- Only Committee members are automatically entitled to attend meetings however it remains the committees prerogative to invite other persons to its meetings as and when it deems necessary.
- Senior Management of the municipality must attend all committee meetings.
- Meetings shall be held not less than 4 times a year, with at least one meeting per quarter, and should as far as possible correspond with the municipality’s financial reporting cycle.
- Special meetings may be convened as required and any member of the Committee may call such a meeting, after consultation with the Chairperson. The secretary will convene a meeting on receipt of a request by the Chairperson.
- The secretary shall circulate the agenda and supporting documentation to the Committee members 5 working days in advance of each meeting.
- Members of the Committee should strive to attend every meeting of the Committee.
- Due to the Covid 19 lockdown, no Audit Committee meetings could commence for the period of the lockdown during the 2019/2020 financial year. All items that should have been discussed during the lockdown period, will be part of the first Audit Committee when the committee activities resume in line with the Regulations.

6. TERMINATION OF MEMBERSHIP

Council may terminate the membership of a member of the Committee should such member, in Council's opinion, by any acts or omissions not comply with the charter and legislation.

A committee member should give at least one month's notice prior to resignation, in order for due processes to take place with a replacement candidate member.

Shorter period for resignation will be tabled to the Council for consideration and approval.

Any member, who is absent without leave of absence from two consecutive Audits Committee meetings, may be removed from the Audit Committee by Council, unless acceptable and reasonable excuse had accompanied such absence.

All terminations will be tabled to Council for consideration and approval.

7. COMPENSATION

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 by Council in line with guidelines issued by National Treasury.

8. RESPONSIBILITIES

The committee will carry out amongst others the following responsibilities:

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.

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.

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 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.
- The strategic and operational risks identified by management through a formal risk assessment process during May and June 2020. Due to the Covid 19 lockdown, certain audits which was

scheduled for the 2019/2020 financial year could not be conducted. As these audits are high risk areas, it is rescheduled for the 2020/2021 financial year.

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.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- Review the findings of any examinations by regulatory agencies and any auditor observations; and
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Performance Management

Carry out the functions of a performance audit committee and must thereby:

- Review the quarterly reports submitted by Internal Audit.
- Review the Municipality's performance management system and make recommendations in this regard to Council; and
- At least twice during a financial year submit a performance management audit report to Council.
- The Chairperson of the Committee shall be a member of the evaluation panels established in terms of the regulations issued under the Municipal Systems Act to evaluate the performance of the MM and the managers directly accountable to the Municipal Manager.

Reporting Responsibilities

- Regularly report to Council 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 Accounting Officer'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.

9. REVIEW PERIOD

Reviewing of the charter shall take place annually to propose any required changes to Council and as per prescriptions of legislation

Ensure that the Charter is approved reviewed by Council with (if required) or without amendments made to it.