AMAHLATHI LOCAL MUNICIPALITY

AUDIT & PERFORMANCE COMMITTEE CHARTER 2025/26

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CLLR. N, Mlahleki

Speaker

Name of policy	
Policy Number	
Policy Name	**Audit and Performance Audit Committee Charter**
Policy Status	**Active**
Version	
Date of Approval	
Date of Next Review	30 June 2027 2026
Purpose	This Charter sets out the specific responsibilities assigned to the Audit and Performance Committee by the Act and the Local Government: Municipal Planning and Performance Management Regulations, 2001 and details the manner in which the Committee will operate
Aims and Objectives	The aim of this audit and performance committee charter is to ensure that Amahlathi Local Municipal Audit and Performance Committee Charter discharge its responsibilities in accordance with local government approved practices.
Policy Custodian	Internal Auditing
Related Policies and Legislation	MFMA, MSA, Global Internal Audit Standards, Circulars 65 and 127
Approving Authority	Council
Applicability	
Policy Benchmark and References	ANNEXURE A of CIRCULAR 127 OF MFMA

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1. PREAMBLE

Audit and performance committee in local government operates in a regulated environment. It is entrusted with the responsibility to guide management and councillors on financial management, performance management, risk management, compliance with laws and regulations and other areas as council and or management may request advice from time to time. The policy audit and performance committee charter provides guidance in relation to the discharge of the committee's responsibilities to the municipality.

2. PURPOSE

The purpose of the Audit and Performance Committee is to assist and advise the Council in fulfilling its oversight responsibilities for the reporting process (financial and non- financial), the system of internal control over reporting, the audit process, risk management, performance management and evaluation, the Council's process for monitoring compliance with laws and regulations and council's code of conduct. The charter is used to guide the activities of the Audit and Performance Committee of the Municipality. The Audit Committee charter sets out the authority, roles and responsibilities,

3. DEFINITIONS

In this Audit Committee and Performance Audit Committee Charter, unless the context indicates otherwise, a word or expression to which a meaning has been given, has the same meaning, and –

"Accounting Officer"	means the Municipal Manager, referred to in section 60 of the Act
"Act"	means the Municipal Finance Management Act, Act 56 of 2003
"Committee"	means the Audit and Performance Audit Committee established in terms of Section 166 of the Act and the Performance Audit Committee established in terms of the Local Government Municipal Planning and Performance Regulations, 2001.
Chief Audit Executive	means the Head of the Internal Audit Function Unit of the municipality
"Chief Financial Officer"	means the employee designated in terms of section 80(2)(a) of the Act
"Local Municipality"	means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality
"Employee"	means a person in the employ of the Local Municipality

"External Auditors"	means the Auditor-General
"Internal Audit Function"	means an internal audit component as constitutes by Council.

ACRONYMS

APC	Audit and Performance Committee
BTO	Budget and Treasury Office
CRO	Chief Risk Officer/ Employee assigned with Risk Monitoring
GRAP	General Recognised Accounting Practices
ICT	Information and Communication Technology
IT	Information Technology
MFMA	Municipal Finance Management Act 56 of 2003
MSA	Municipal Systems Act 32 of 2000 as amended
RIMCO	Risk Management Committee

4. LEGISLATION

The following legislation is observed and associated with the Audit Committee:

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

1.2 Local Government Municipal Systems Act: Municipal Planning Performance Management Regulations (Gazette 22605) (Regulation Gazette 7146) 24 August 2001 (S14(2) Not applicable for entities

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

1.4 Local Government: Municipal Finance Management Act, Act 56 of 2003 [Section 166]

5. AUTHORITY

The Audit Committee is constituted in terms of s166 of the MFMA and performs responsibilities assigned to it by s166 of the Act and corporate governance code (King IV™). The Committee is directly accountable to the Council In discharging its responsibilities, the Committee has authority to:

5.1 conduct or authorise investigations into any matters within its scope of responsibility (refer to par 10);

5.2 access any information, records and officials as it requires to fulfill its responsibilities

5.3 request the attendance of any executive or official; at Committee meetings;

5.4 conduct meetings with External Auditors (Auditor-General) and Internal Auditors as deemed necessary

5.5 obtain advice from external parties as deemed necessary

5.6 facilitate any disagreements between management and the external auditor regarding financial reporting; and

5.7 pre-approve all outsourced auditing assurance and consulting assignments.

6. ROLE

6.1 The role of the Committee is to provide independent oversight and assistance to the Council and Municipal Manager on governance, risk management and internal control. The Committee does not replace established management responsibilities and delegations. The Committee will provide the Municipal Manager with prompt and constructive reports on its findings, especially when issues are identified that could present a material risk to the Municipality.

7. COMPOSITION

7.1 The appointment of Audit Committee members is set out in section 166(5) of the MFMA, Act 53 of 2003.

7.2 The audit committee members are appointed by the Council and shall consist of at least three (3) members.

7.3 No councillor/executive may be a member of the Audit Committee.

7.4 The 3 members are all independent of the Municipality and will be appointed by the Council.

7.5 The Chairperson of the Committee must be appointed from the appointed members and will be independent of the organisation and will not be a political office bearer.

7.6 The Committee is constituted to ensure independence and its membership will be disclosed in the annual report of the Municipality.

7.7 Members will be selected for different areas of expertise and the roles and responsibilities of the Audit Committee will be used as the baseline in appointing members.

7.8 All members appointed to the Audit Committee shall enter into a contract with the Municipality setting out the terms and conditions of service. The Committee collectively (not necessarily individually) should have:

7.8.1 Private and public-sector experience;

7.8.2 An understanding of service delivery priorities;

7.8.3 Good governance and/or financial management experience;

7.8.4 An understanding of the role of the Council/Board and councilors;

7.8.5 An understanding of local government;

7.8.6 Familiarity with risk management practices;

7.8.7 An understanding of internal controls;

7.8.8 An understanding of major accounting practices and public-sector reporting requirements;

7.8.9 An understanding of public sector reforms;

7.8.10 Familiarity with legislation applicable to Municipalities/Municipal Entities;

7.8.11 An understanding of the roles and responsibilities of internal and external auditors;

7.8.12 An understanding of the treatment of allegations and investigations;

7.8.13 An understanding of the performance management system; and

7.8.14 An understanding of legal and information and communication technology Member terms and conditions are disclosed in the letter of appointment.

8. APPOINTMENT AND TERM OF OFFICE

8.1 Members will be appointed by the Council for a period of three years, after which they may be re-appointed for a further three-year period based on their individual performance.

8.2 Members will not be contracted continuously for a period exceeding six years.

8.3 After completing a six-year term, a cooling off period of two years will apply before a member may be reappointed.

8.4 Where possible members' appointments 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.

8.5 The Council must ensure that the Audit Committee members do not serve on more than three audit committees within local government.

8.6 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:

8.6.1 Perform the role as advisor to management;

8.6.2 Communicate effectively with management;

8.6.3 Carefully review information received and obtain clarification from

management as and when appropriate;

8.6.4 Raise relevant questions, evaluate responses and follow up on any matter that is unclear;

8.6.5 Conduct responsibilities in the context of the Municipality's strategic objectives and overall corporate governance of the council;

8.6.6 Act independently and be proactive in advising the Municipal Manager and the Council regarding issues that require further management attention;

8.6.7 Encourage openness and transparency.

8.6.8 Build relations with management.

8.6.9 Have a professional approach to performing duties, including commitment of time and effort, and;

8.6.10 Each committee member must be independent and appropriately skilled.

8.7 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:

8.7.1 Has good standing and ability to lead discussions;

8.7.2 Creates vision and provides direction at meetings;

8.7.3 Builds Municipal capabilities by guiding management based on expert knowledge and skills;

8.7.4 Promotes and achieves quality outcomes at meetings;

8.7.5 Has the ability to speedily and effectively advise the Council or management of any impending non-compliance with the legislative framework;

8.7.6 Has the ability to encourage other members to participate in Audit Committee meetings; and

8.7.7 Conducts meetings in a manner that demonstrates a desire to establish effective communication with all stakeholders.

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

8.9 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.

9. VACATION OF OFFICE

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

9.1.1 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.

9.1.2 An exit meeting will be held, by the council, with each member upon resignation.

9.1.3 Is removed from the office as an Audit Committee member subject to the approval of the Council.

9.1.4 Committee member contracts may be terminated by the Council under certain circumstances and where appropriate will be linked to the charter and member's performance.

9.1.5 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.

9.2 The Council shall approve any termination of the services of a person serving on the audit committee.

10. MEETINGS

10.1 The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require, and the schedule of meetings will be agreed in advance.

10.2 All Committee members are expected to attend each meeting, in person or via the accepted communication tool.

10.3 A quorum will consist of a majority of members for each meeting to be duly constituted.

10.4 When the Chairperson is not present at a meeting, the Committee shall elect a member to act as the Chairperson.

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

10.5.1 Municipal Manager;

10.5.2 Chief Financial Officer;

10.5.3 Directors Engineering and Town Planning and Development Services, Corporate Services, Community

10.5.4 General Manager;

10.5.5 Performance Manager;

10.5.6 Representative from the Auditor-General's office;

10.5.7 Chief Audit Executive and Senior Internal Auditor;

10.5.8 Chief Risk Officer (or Official Delegated);

10.5.9 Provincial and National Treasury;

10.5.10 Invitations to attend Audit Committee meetings will be extended to senior management and professional advisors as deemed appropriate by the Audit Committee;

10.5.11 The chairperson of the MPAC will have a standing invite to the meetings and

10.5.12 BTO Portfolio head.

10.6 The Committee will determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks.

10.7 In determining its agenda, the committee will also consider the work plan in Annexure E.

10.8 The Municipal Manager will appoint secretariat function to facilitate the Committee's meetings and reporting duties.

10.9 The secretary will, in consultation with the Chairperson, prepare and send notices and meetings packs seven working days before the meeting.

10.10 The secretary will also prepare minutes and accurately transcribe all decisions of the Committee.

10.11 Minutes of the meeting will be circulated to the Audit and Performance committee members within 15 working days from the date of the meeting.

11. CONFLICT OF INTEREST

11.1 Each member of the Committee must declare any conflict of interest at each meeting.

11.2 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.

12. REMUNERATION

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

12.2 No remuneration for participating in Audit Committees will be paid 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.

12.3 The reimbursement of all members for travel expenditure must be determined in accordance with approved council policy.

13. RESPONSIBILTIES

13.1 The Committee is accountable to the Council for the exercise of its responsibilities.

13.2 The Committee will at all times, recognize that the primary responsibility for management of the Municipality rests with the Municipal Manager.

13.3 While its mandate extends to all activities within the scope of the Accounting Officer, the Committee will carry out the following specific responsibilities:

13.3.1 Annual Financial Statements

13.3.1.1 Review the appropriateness of accounting policies applied and disclosed in the annual financial statements;

13.3.1.2 Review the appropriateness of assumptions made by management in preparing the annual financial statements;

13.3.1.3 Review the significant accounting and reporting issues, and understand their impact on the annual financial statements;

13.3.1.4 Review the annual financial statements to ensure quality and integrity of the document;

13.3.1.5 Review the annual financial statements of the Municipality for the reasonableness, completeness and accuracy in a timely basis;

13.3.1.6 Obtain assurance from management with respect to the accuracy of the financial statements;

13.3.1.7 Obtain assurance from management that the municipal audit file has been prepared in line with the applicable standards and guidance contained in relevant legislative documents;

13.3.1.8 Review with management and the external auditors the results of external audit, including any significant issues identified;

13.3.1.9 Review the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.

13.3.2. Internal Control

13.3.1.1 Ensure that management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control;

13.3.1.2 Assess whether management has relevant policies and procedures in place and that these are adequate, effective and updated regularly;

13.3.1.3 Assess steps taken by management to encourage ethical and lawful behavior; financial discipline and accountability for use of public resources.

13.3.1.4 Obtain an understanding of the scope of internal and external auditors' review of internal controls and financial reporting processes, and review their reports on significant findings and recommendations, together with management's responses;

13.3.1.5 Review whether the financial internal controls are operating efficiently, effectively and economically.

13.3.2 Responsibilities related to the Internal Audit function

13.3.2.1 The Committee should ensure that the Internal Audit function performs its responsibilities effectively and efficiently through:

13.3.2.1.1 Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.

13.3.2.1.2 Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.

13.3.2.1.3 Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.

13.3.2.1.4 Review the internal audit charter annually and as when necessary with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually and when necessary.

13.3.2.1.5 Approve the risk-based internal audit plan.

13.3.2.1.6 The audit and performance committee is responsible for the approval of the internal audit functions objectives annually.

13.3.2.1.7 The audit and performance committee will discuss with chief executive the plans to have external quality assurance conducted by an independent, qualified assessor or assessment team.

13.3.2.1.8 Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment.

13.3.2.1.9 Approval of Internal Audit strategic and operational plans and review achieved performance against these plans. Review of these plans to ensure all high-risk areas are addressed and that adequate resources are available;

13.3.2.1.10 Advice to the municipality on resources allocated to give effect to the work outputs of the internal audit function.

13.3.2.1.11 Consideration and reviewal of reports relating to difficulties encountered during the course of the audit engagement, including any scope

limitation or access to information reported to the accounting officer that remain unresolved

13.3.2.1.12 Concurrence with appointment and termination of the services of chief audit executive

13.3.2.1.13 Review the organizational structure and qualifications of the Internal Audit function.

13.3.2.1.14 Collaborate with senior management to determine the qualifications and competencies the organization expects in a chief audit executive, as described in the Global Internal Audit Standards.

13.3.2.1.15 Review of the chief audit executive's performance.

13.3.2.1.16 Review of audit results and the action plans of management;

13.3.2.1.17 Consider the scope and objectives of any additional work undertaken by the Internal Auditor function to ensure that there are no conflicts of interest, and that independence is not compromised;

13.3.2.1.18 Request for specific audit projects.

13.3.2.1.19 Review of the results of the quality assurance reviews.

13.3.2.1.20 Meet with the Internal Auditors at their request as they deem necessary.

13.3.2.1.21 Co-ordination of Internal Audit work with External Audit; and

13.3.2.1.22 Ensure that the Head of Internal Audit has direct access to the Committee, Chairperson and the Accounting Officer.

13.3.3 Responsibilities related to External Audit performed by the Auditor-General

13.3.3.1 Review the external auditors' proposed audit scope of work, approach and audit fees for the year and the extent of co-ordination with the internal audit unit;

13.3.3.2 Review the findings and recommendations by External Auditor and management responses thereto;

13.3.3.3 Review implementation of External Auditor's recommendations by management;

13.3.3.4 Review the performance of External Auditors with inputs from the Municipality and provide feedback to the Auditor-General;

13.3.3.5 Review the allocation of hours and fees by the External Auditors in relation to audit risks and make recommendations in respect thereof to the Council;

13.3.3.6 Ensure that there is proper coordination of audit efforts between Internal and External Auditors; Meet separately with the External Auditors to discuss any matters that the Committee or External Auditors believe should be discussed privately;

13.3.3.7 Review the report on the annual financial statements and matters raised therein for reasonability and accuracy; and

13.3.3.8 Advise the accounting officer on actions taken relating to significant matters raised in external audit reports.

13.3.4 Responsibilities related to Performance management and Performance evaluation

13.3.4.1 Review and comment on compliance with statutory requirements and performance management best practices and standards;

13.3.4.2 Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements;

13.3.4.3 Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the Municipality/Municipal Entity;

13.3.4.4 Review compliance with in-year reporting requirements

13.3.4.5 Review the quarterly performance reports submitted by internal audit;

13.3.4.6 Review and comment on Municipality's annual financial statements and timely submission to the Auditor-General by 31 August, each yearReview the reports of the internal auditors covering the performance measurements of the Municipality.

13.3.4.7 Review and comment on the Municipality's/Municipal Entity's annual reports within the stipulated timeframes;

13.3.4.8 Review the Municipality's performance management system and make recommendations in this regard to Council.

13.3.4.9 Review whether the performance reporting and information uses appropriate targets and benchmarks

13.3.5 Risk Management

13.3.5.1 Review the high-level risk register, including the report of significant changes to the Municipality's risk register;

13.3.5.2 Review the risk management framework for identifying, assessing, monitoring and managing significant risks;

13.3.5.3 Review the report on risk management culture of the Municipality;

13.3.5.4 Evaluate whether risk management is carried out in a manner that really benefits the Municipality;

13.3.5.5 Assess and contribute to the internal audit planning processes relating to the risks of the Municipality;

13.3.5.6 Review and recommend disclosures on matters of risk in the annual financial statements;

13.3.5.7 Review and recommend disclosures on matters of risk and risk management in the annual report;

13.3.5.8 Provide regular feedback to the Council/Board and the Municipal Manager on the adequacy and effectiveness of risk management in the Municipality, including recommendations for improvement; and

13.3.5.9 Satisfy itself that it has appropriately addressed the following risks:

13.3.5.10 financial reporting risks, including the risk of fraud;

13.3.5.11 risk of internal financial controls failure; and

13.3.5.12 IT risks as they relate to financial reporting.

13.3.6 Compliance Management

13.3.6.1 Review whether management has considered legal and compliance risks as part of the Municipality's risk assessments;

13.3.6.2 Review the effectiveness of the system for monitoring compliance with laws and regulations;

13.3.6.3 Review the findings of any examinations by regulatory agencies, and any auditor observations;

13.3.6.4 Review the process for communicating the code of conduct to the SBM officials, and for monitoring compliance therewith; and

13.3.6.5 Obtain regular updates from management regarding compliance matters.

. Combined Assurance

13.3.6.6 The Committee should ensure that a combined assurance model is developed and applied, to provide a coordinated approach towards assuring that relevant assurance activities are effective and efficient. In particular, the Committee must:

13.3.6.7 Ensure that the combined assurance received is appropriate to address all the significant risks facing the Municipality; and

13.3.6.8 Monitor the relationship between external assurance providers and the Municipality/Municipal Entity.

13.3.7 Information and Communication Technology (ICT) Governance

13.3.7.1 Review and advise the Accounting Officer and management on ICT Governance, adequacy of ICT related controls and safeguarding of information; and

13.3.7.2 Review and advise the Accounting Officer and management regarding the appropriateness of disaster recovery and continuity plans.

13.3.8 Reporting Responsibilities

13.3.8.1 Quarterly report to the Council about Internal Audit and the Committee which will include but not limited to:

13.3.8.1.1 A summary of the work performed by the Internal Audit and the Committee against the annual work plan;

13.3.8.1.2 Effectiveness of internal controls and additional measures that must be implemented to address identified risks;

13.3.8.2 A summary of key issues dealt with, such as significant internal and external audit findings, recommendations and updated status thereof;

13.3.8.3 Progress with any investigations and their outcomes;

13.3.8.4 Details of meetings and the number of meetings attended by each member; and

13.3.8.5 Other matters requested of the Internal Audit and the Committee.

13.3.8.6 Report annually to the Council, describing:

13.3.8.6.1 The Committee's composition

13.3.8.6.2 The functions performed by the Committee and meetings attended;

13.3.8.6.3 Resolutions taken by the Council relevant to the audit committee and implementation status of recommendations made; and

13.3.8.6.4 Other relevant comments that may enhance governance and accountability.

13.3.8.6.5 Submit a summary of its activities for inclusion in the annual report; and

13.3.8.6.6 Review any other reports the Municipality issues that relate to Committee responsibilities.

11.3.11 **Special investigations**

11.3.11.1 Where circumstances necessitate, the Committee may undertake special investigations referred to it by Council and the Accounting Officer.

13.4 Other responsibilities

13.4.1 Advise on matters relating to effective governance; and any other issues referred to it by the Municipality.

13.4.2 In addition to any other responsibilities that may appear appropriate in relation to effective governance:

13.4.2.1 Be responsible for monitoring the Municipality's performance in ensuring the ethical behaviour of the Municipality, its management, and officials, including compliance with any supply chain management policy and code of conduct which may be applicable. In doing so, the Committee will:

13.4.2.2 Review any policies on ethical standards or requirements for the Municipality and give input into such standards and requirements.

13.4.2.3 Review arrangements by which staff of the Municipality may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with a view to ensuring that arrangements are in place for the appropriate and independent investigation of such matters and for appropriate follow-up action.

13.4.2.4 Review compliance with the law and regulations of any applicable statute and of controlling bodies as they relate to ethical standards.

13.4.2.5 Raise questions about and obtain explanations for any violations of ethical conduct that may come to its attention.

13.4.2.6 Review the process for communicating the code of conduct to Municipality personnel, and for monitoring compliance therewith.

13.4.2.7 Review any situations that arise relating to potential conflict of interest or questionable situations of a material nature that it becomes aware of and as soon as possible make appropriate recommendations.

13.4.2.8 Periodically receive reports on the prevention, detection and investigation of fraudulent activity or misconduct within the Municipality and the related management responses.

13.4.2.9 Safeguard all the information supplied to it within the ambit of the law.

13.4.2.10 Meet separately with management to discuss any matters that the Committee or management believe should be discussed privately (revision of reports relating to forensic investigations and/or legal cases reported).

13.4.2.11 Perform other activities related to this Charter as requested by the Executive Committee/Council.

13.4.2.12 Safeguard all the information supplied to it within the ambit of the law.

13.4.2.13 Investigate matters within its powers as identified in this Charter.

13.4.2.14 Ensure that the Chairperson of the Committee and Chief Audit Executive have unrestricted access to the Executive management.

13.4.2.15 Confirm annually that all responsibilities outlined in this Charter have been carried out.

13.4.2.16 Meet separately with management to discuss any matters that the Committee or management believe should be discussed privately (revision of reports relating to forensic investigations and/or legal cases reported).

13.5 Reporting to Municipal Public Accounts Committee (MPAC)

13.5.1 The chairperson of the audit committee must submit a copy of its report quarterly, to the Municipal Public Accounts Committee (MPAC), for consideration during the MPAC engagements on the oversight report.

13.5.2 The chairperson of the audit committee must always be available whenever MPAC needs clarity on the report of the audit committee.

14 EVALUATION OF COMMITTEE ACTIVITIES

14.1 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 on the results of the findings of the evaluation

14.2 Evaluation criteria include the following:

14.2.1 Expertise and know-how

14.2.2 Inquiry attitude, objectivity and independence

14.2.3 Judgement

14.2.4 Knowledge of local government and its objectives

14.2.5 Understanding of and commitment to the committee's duties and responsibilities

14.2.6 Devotion of time in order to participate effectively in committee duties.

14.2.7 Timely responses

14.2.8 Attendance at meetings

14.3 Refer to Annexure B of this policy for the Audit Committee Self-Assessment tool:

15 SECRETARIAT OF THE COMMITTEE

15.1 The Internal audit function shall facilitate the committee's meetings and reporting duties.

15.2 Secretariat, in consultation with the Chairperson, prepares and send notices and meetings packs seven working days before the meeting.

15.3 The secretariat will prepare minutes and accurately transcribe all decisions of the Committee.

16 OPERATIONS

16.1Meetings of the Audit and performance committee

16.2 Chief audit executive, in consultation with the chairperson of the audit and performance committee, must determine time frames of all meetings.

16.3 In light of the financial implications, the accounting officer in consultation with the chairperson of the audit and performance committee must agree if the meeting goes beyond one date sitting.

16.4 Voting

16.4.1 Only committee members are entitled to vote.

16.4.2 Voting shall be by show of hands

16.4.3 The Chairperson shall have a deliberative and a casting vote in the event of a tie

16.4.4 If a member wishes to dissent or protest against a decision, s/he may request that it be recorded in the minutes and may also elect to make a separate written dissenting submission as part of the official minutes for the record and for submission to Council

16.5 Confidentiality

16.5.1 The Committee undertakes that it will not, at any time, disclose confidential information to any third party for any reason or purpose whatsoever without the express prior written consent of Amahlathi Municipality.

16.6 Notice of meetings

16.6.1 Notice of each meeting shall be given in writing to all members of the Committee, at least **fourteen days prior to the date on which such meeting** is to be held.

16.7 Distribution of the Agenda, and Audit and Performance Committee Pack

16.7.1 The agenda of each meeting shall be prepared and distributed at least seven days prior to the meeting date.

16.7.2 Unless specifically determined, audit and performance committee pack will be circulated to Audit and Performance Committee Members, and standing invitees

17 OTHER MEETINGS OF THE CHAIRPERSON / AUDIT COMMITTEE MEMBERS

17.1 Should the external auditors, internal auditors, legal manager or any other party request an audience from the Committee, the Chairperson shall consult the other members prior to convening such a meeting.

17.2 The Chairperson APC Members may at their discretion meet separately with the external auditors, internal auditors or management.

18 COMPLIANCE AND ENFORCEMENT

18.1 Violation of or non-compliance with Audit and Performance Audit Committee Charter will give a just cause for disciplinary steps to be taken.

18.2 It will be the responsibility of all Managers, Supervisors, Executive Committee and Council to enforce compliance with these procedures.

19 DEVIATION CLAUSE

19.1 In the event of unforeseen circumstances, deviation from the Audit and Performance Committee Charter may be approved by the council subject to consultations with relevant structures such as Treasury, COGTA and etc.

20 DISPUTE RESOLUTION

20.1 Any dispute arising out of the implementation of this Charter shall be referred to the Treasury or COGTA or any other structure established for the purposes of resolving disputes.

21 AMENDMENT AND/OR ABOLITION OF THE APC CHARTER

21.1 This Audit and Performance Audit Committee Charter may be partly amended or repealed by the Council after consultation and interaction with Management.

22 APPROVAL

a. APPROVAL OF AUDIT AND PERFORMANCE AUDIT COMMITTEE CHARTER

22.1.1 Audit and Performance Audit Committee Charter will be approved and adopted by the council on recommendation by the Municipal Manager and the Chairperson of the Audit and Performance Committee.

22.1.2 This Audit and Performance Audit Committee Charter will be reviewed annually.

22.1.3 The Committee's Terms of Reference as set out in this Charter is hereby approved, for and on behalf of the Municipality:

23 ADOPTION AND APPROVAL OF THE CHARTER BY COUNCIL

This Charter is adopted and approved by Amahlathi Local Municipality Council for implementation.

Effective from (Date)_____

Approved by Resolution Number _____ on this the _____day of_____20____.

Signed this the _____day of _____ 20_____

_____ _____

DR. Z. SHASHA **DATE**

MUNICIPAL MANAGER

_____

MS N NGEWU

ACTING CHAIRPERSON: AUDIT AND PERFORMANCE COMMITTEE

_____

CLLR. N. MLAHLEKI

SPEAKER

ANNEXURE A: APC COMPETENCY FRAMEWORK



AMAHLATHI LOCAL MUNICIPALITY AUDIT COMMITTEE COMPETENCY FRAMEWORK

AUDIT COMMITTEE COMPETENCY FRAMEWORK

This checklist provides a high-level guide to enable the audit committee to evaluate its overall competency. This evaluation to be included as part of the annual audit committee assessment (which covers a broader performance spectrum). It is recommended that this checklist be used by the authority responsible for the appointment of the audit committee members either on an annual basis.

Assessment Area/Question	Yes / No
Composition	
Are all the members independent non-executive members?	
Is there a minimum of three members?	
Does the audit committee have the appropriate number of members relative to the size, nature and complexity of the organisation to effectively and efficiently carry out its functions?	
Is the independence of members assessed annually?	
Does the audit committee have protocols to deal with actual and perceived conflicts of interest? Are conflicts of interest identified and dealt with appropriately?	
Are conflicts of interest recorded in a conflict-of-interest register?	
Are there clear criteria as well as a list of requirements regarding the qualifications, attributes and experience needed for recruitment/selection of members?	
Does the Chair of the audit committee provide feedback/input in the selection of new members through his/her recommendations on the additional skills/competencies required within the audit committee?	
Are skills gap analyses undertaken to identify the skills required within the audit committee?	
Are audit committee members rotated on a staggered basis?	

Assessment Area/Question	Yes / No
Do audit committee members serve longer than a total of six (6) years on the committee? If so, are such members subjected to rigorous independence assessments to satisfy the committee that they are still independent?	
Chair	
Is the Chair of the audit committee an independent non-executive member?	
Is the Chair an experienced governing body member with relevant financial expertise?	
Does the Chair possess the core skills, knowledge and experience required of an effective Chair?	
Does the Chair have appropriate leadership and facilitation skills?	
Does the Chair have relevant public sector experience?	
Does the Chair demonstrate the personal attributes of an effective Chair?	
Does the Chair understand and regularly assess the needs of the audit committee?	
Does the Chair set and manage the audit committee agenda?	
Does the Chair have effective working relationships with all key stakeholders?	
Audit Committee Members	
Does the audit committee have an appropriate mix of core skills, knowledge, and experience to address the needs and complexity of the organisation and as identified by the Chair?	
Do all or at least a majority of the audit committee members have financial knowledge?	
Does the audit committee have at least one member who is a financial management expert?	
Do the audit committee members possess the necessary personal attributes required for an effective audit committee?	

Assessment Area/Question	Yes / No
Has the audit committee been subject to an evaluation or analysis to determine whether it requires any specific skills and knowledge to deal with specific company concerns/issues?	
Evaluation/Assessment	
Is the performance of the audit committee and individual members evaluated/appraised annually?	
Does the audit committee adequately address those areas identified as requiring improvement in such evaluations?	
Are identified gaps in skills, knowledge and experience dealt with either through appropriate induction of new members; providing training to existing members, or identifying external specialists/consultants to advise the audit committee on such topics/areas?	

ANNEXURE B: APC SELF ASSESSMENT TOOL



AMAHLATHI LOCAL MUNICIPALITY AUDIT COMMITTEE AND PERFORMANCE COMMITTEE SELF ASSESSMENT TOOL

AUDIT COMMITTEE SELF-ASSESSMENT TOOL

The Audit Committee should do a self-assessment of their performance as a committee on an annual basis. Every member of the Audit Committee should complete the self-assessment survey. The Audit Committee should summarise all responses to this survey and report the outcome to the Municipal Manager and the Council.

The assessment guide summarises key principles and practices and is provided for your use in assessing your audit committee's performance. You may find it useful to rate the extent to which your committee complies with each statement, on a scale where:

1 = Strongly Disagree.

2 = Disagree.

3 = Neither agree nor disagree.

4 = Agree

5 = Strongly Agree.

If the practice is not being followed or if the rating is below what you consider acceptable, space is provided to note steps that the committee should take to implement the practice or raise its performance.

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
1	**Charter Evaluation**				
The Audit Committee has:					
1.1	Adequate terms of reference approved by the Council, which include: • Constitution • Function • Membership • Duties • Meetings and procedures • Reporting • Authority				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
1.2	Reviewed the terms of reference annually and recommended any necessary changes to Council				
1.3	Carried out all its responsibilities outlined in its terms of reference				
1.4	Regularly evaluated the performance of the committee as a whole, as well as the performance of individual members and has taken decisive corrective action where necessary				
2	**Composition**				
The Audit Committee:					
2.1	Consists of at least three independent members				
2.2	Is an appropriate size, bringing requisite knowledge, abilities and skills to the table in a group small enough to act cohesively				

2.3	Does not have the Accounting Officer serving as a member				
2.4	Has a sufficiently independent voice in no way beholden to the chairman or chief executive of the company, and is consistently ready to challenge the management team constructively				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
2.5	Collectively has an understanding of: • Internal financial controls • External audit process • Internal audit process • Corporate law and governance • Risk management • Sustainability issues • IT governance as it relates to financial reporting				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
	• Governance processes within the Municipality/Municipal Entity • GRAP Standards / guidelines and any other applicable financial or sustainability reporting standards, • regulations or guidelines				
2.6	Members display attributes such as integrity, judgement, credibility, trustworthiness, intuition, industry knowledge, willingness to handle conflict actively, communication, decision-making and people skills				
2.7	Ensure that any terms beyond six years (e.g. two three-year terms) have been subject to a rigorous independence review by the Council				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
3	**Training and Resources**				
The Audit Committee has:					
3.1	Collectively kept up to date with key developments that affect its required skills set				
3.2	A formal induction process in place for new members of the committee				
3.3	Ensured that there is a process in place for all members to be trained and updated on current financial developments and reporting requirements and other issues relevant to the Municipality				
3.4	Access to the services of the Municipality Staff				
4	**Meetings**				
The Audit Committee has:					

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
4.1	Held a sufficient number of meetings, scheduled at appropriate times to address its responsibilities				
4.2	Allocated reasonable time for meetings to accomplish its agenda				
4.3	Had regular attendance at meetings				
4.4	Ensured that the right individuals attended as invitees, particularly those with meaningful input on agenda items				
4.5	Met at least once a year with the external and internal auditors without management being present				
4.6	Established meeting agendas and circulated background information throughits Chairperson				
4.7	Considered the need to meet before and/or after each regular Audit Committee meeting in				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
	an in-committee session, without invitees being present				
4.8	Ensured that minutes and other meeting documentation were accurate and distributed timeously				
5	**Combined Assurance**				
The Audit Committee has:					
5.1	Monitored the appropriateness of the Municipality's combined assurance model and ensured that significant risks facing the company are adequately addressed				
5.2	Monitored the relationship between the External assurance providers and the Municipality				
5.3	Considered the use of technology and related techniques to improve audit coverage and audit efficiency				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
6	**Risk Governance Oversight**				
The Audit Committee has:					
6.1	Representation, preferably the Audit Committee Chairperson, on the risk committee				
6.2	Obtained an understanding of, and had an adequate level of comfort regarding, the Municipality processes for identifying, managing and reporting on risk by, for example, liaising with the risk committee				
6.3	Overseen financial r isk management and controls				
6.4	Evaluated the nature and extent of the formal Documented review of internal financial controls performed by internal audit				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
6.5	Reviewed the items reported through arrangements made by the Municipality to enable employees and outside whistle-blowers to report in confidence their concerns about possible improprieties in matters of financial and sustainability reporting, or noncompliance with laws and regulations that may have a direct or indirect effect on financial reporting				
6.6	Ensured that management monitors compliance with the code of conduct and approves any amendments to the code of conduct as it applies to financial reporting				
6.7	Addressed matters that may result in material misstatements in the financial report due to fraud				
6.8	Been satisfied with IT as it relates to financial reporting and the going concern assumption				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
6.9	In its review of the entity's code of conduct, considered the ethical stance of the entity as demonstrated by the Council				
6.10	Obtained feedback from the Chief Risk Officer and the Risk Committee Chairperson on any matters which potentially impact on or are related to the responsibilities of the committee				
7	**Internal Audit**				
The Audit Committee has:					
7.1	Been responsible for the appointment, performance assessment and dismissal of the Chief Audit Executive				
7.2	Approved the internal audit plan				
7.3	Considered and recommended the internal audit charter for approval by the Council				
7.4	Oversee the appropriateness of the staffing, budgets and objectives of the internal audit function				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
7.5	Encouraged co-operation between external and internal audit, such that the committee optimises the combined assurance from these assurance providers				
7.6	Ensured that the internal audit function is subjected to an independent quality review				
7.7	Evaluated the performance of the internal audit function to ensure that the function is fulfilling its responsibility to assist and advise the audit committee and the Council				
7.8	Ensured that the internal audit function is independent and has the necessary resources, budget, standing and authority within the Municipality to enable it to discharge its functions				
7.9	Obtained feedback from internal audit at all audit committee meetings				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
7.10	Met with internal audit at least once per annum, separately from management				
7.11	Reviewed arrangements made by the company to enable employees and outside whistle-blowers to report, in confidence, their concerns about possible improprieties in matters of financial and sustainability reporting, or non-compliance with laws and regulations that may have a direct or indirect effect on financial reporting				
7.12	Been satisfied with the competence and independence of an outsourced internal audit provider (if applicable)				
7.13	Adequately managed its relationship with the internal audit function, particularly the Chief Audit Executive				
8	**External Audit**				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
The Audit Committee has:					
8.1	Ensured that the external auditor has the necessary qualifications, expertise and resources				
8.2	Assessed the quality and effectiveness of the audit process				
8.3	Determined the fees to be paid to the external auditor and the auditor's terms of engagement				
8.4	Determined the nature and extent of any non-audit services which the auditor may provide to the company, or that the auditor may not provide to the Municipality / Municipal Entity				
8.5	Pre-approved all agreements with the external auditor for non-audit services to the Municipality / Municipal Entity				
8.6	Received notice of all reportable irregularities				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
	and reviewed disclosure				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
8.7	Addressed any disagreement on auditing or accounting matters between management and the external auditors				
8.8	Met separately with external audit (without management being present) where necessary, at least once a year				
8.9	Reviewed representation letters issued by management and addressed any difficulties encountered				
8.10	Reviewed the scope of the audit function and annual audit plan				
8.11	Reviewed the external auditor's annual opinion and management letters and management's response thereto				
8.1	Adequately managed its relationship with				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
2	external audit				
9	**Accounting and Financial Statements**				
The Audit Committee has:					
9.1	Received and dealt appropriately with any concerns or complaints, whether from within or outside the Municipality or on its own initiative, relating to: • the accounting practices and internal audit of the Municipality				
	• the content or auditing of the Municipality's financial statements; • the internal financial controls of the Municipality; • any related matter				
9.2	Made submissions to the Council / Board on any matter concerning the Municipality's accounting policies,				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
	financial control, records and reporting				
9.3	Obtained explanations from management on the accounting of significant or unusual transactions and has considered the views of external audit				
9.4	Considered all the factors that may have resulted in management presenting an incomplete or misleading picture of the Municipality's position, performance or sustainability				
9.5	Evaluated significant judgments and reporting decisions affecting the financial report made by management, including changes in accounting policies, decisions requiring a major element of judgment and the clarity and				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
	completeness of the proposed financial and sustainability disclosures				
9.6	Understood how the Council and external auditor evaluated materiality for integrated reporting purposes				
9.7	Considered any regulatory, monitoring or enforcement actions against the Municipality				
9.8	Considered any evidence that came to its attention that brought into question any previously published financial information, including complaints about this information. Where necessary, has taken steps to ensure that the Municipality correct the previously published information if it was materially incorrect				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
9.9	Reviewed all annual financial statements				
9.10	Reviewed a documented assessment (and underlying assumptions) prepared by management of the going concern status of the Municipality				
9.11	Considered and recommended to the Council whether an external auditor should perform assurance procedures on interim results				
9.12	Considered the financial reporting requirements applicable to Regulators				
10	**Finance Function**				
The Audit Committee has:					
10.1	Considered and satisfied itself with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial				

#	Key principles and practices of an effective audit committee	Yes/ No	Score (1-5)	Comment for "No" Answers	Follow-up Steps Required
	function				
10.2	Maintained a good relationship with the CFO				
11	**General**				
The Audit Committee has:					
11.1	Considered whether there are emerging issues that will demand its attention going forward and is proactive in positioning itself to deal with them				
11.2	Consulted with specialists where necessary				

ANNEXURE C: INTERNAL AUDIT EFFECTIVENESS ASSESSMENT TOOL



AMAHLATHI LOCAL MUNICIPALITY AUDIT COMMITTEE
INTERNAL AUDIT EFFECTIVENESS ASSESSMENT TOOL

4. CONTINUOUS IMPROVEMENT

The Audit and Performance Committee is dedicated to continuous improvement of its own processes and procedures, as well as the general Governance, Risk Management and Control Environment of the entity it serves.

5. EVALUATION OF ACTIVITIES

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 on the results of the findings of the evaluation.

AUDIT COMMITTEE ASSESSMENT OF THE INTERNAL AUDIT ACTIVITY

The activities of the internal audit must be guided, monitored and supervised at each level of operation to ensure that they are consistently performed in accordance with the International Standards for the Professional Practice of Internal Audit. The Quality Assurance and Improvement Programme (QAIP) should include periodic internal assessments within a short time prior to an external assessment which can facilitate and reduce the cost of the external assessment.

This part contains matters for consideration by the Audit Committee prior to feedback from other areas of the organisation. Where Audit Committee members disagree, detailed comments should be obtained.

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A	Comments
Understanding of role and responsibilities							
1. Internal audit demonstrates that it:							
• Recognises its direct reporting responsibility to the audit committee.							

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A	Comments
• Has a firm understanding of the responsibilities and operation of the audit committee, which guides its reporting and interaction with the audit committee.							
• Understands the organisation's business, governance processes, risk environment and internal control framework.							
• Understands its role in the combined assurance model.							
• Coordinates the internal audit plan with that of the external auditors where applicable.							
2. Internal audit's processes are flexible and dynamic in addressing emerging business, operational, compliance, sustainability and assurance needs.							
Charter, structure and positioning							

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A	Comments
3. Internal audit operates in terms of a formally defined and approved internal audit charter.							
4. The internal audit charter is reviewed regularly (at least every year).							
5. Internal audit's mandate meets the organisation's current needs.							
6. The internal audit charter is accessible to everyone in the organisation.							
7. Internal audit is (and is perceived to be) independent from management.							
8. The structure, composition and resources of internal audit facilitates:							
• Consistency in the quality of service to the organisation.							
• Understanding of the organisation's business issues.							
9. Internal audit is strategically positioned to achieve its objectives, i.e., it has appropriate status in the organisation evidenced by the following:							

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A	Comments
• The CAE has a standing invitation to attend all audit committee meetings.							
• The CAE has direct access to the chairperson of the audit committee.							

ANNEXURE D: APC ASSESSMENT OF THE FINANCE FUNCTION

AMAHLATHI LOCAL MUNICIPALITY AUDIT COMMITTEE

ASSESSMENT OF THE FINANCE FUNCTION

Instructions

This assessment to be performed via questionnaires being completed by each Audit Committee member, the significant results of which should be summarised and discussed at the following Audit Committee meeting.

Alternatively, should the pre-completion of the questionnaire not be feasible, an in-depth discussion could take place at an Audit Committee meeting, covering similar points to what would have been covered in the questionnaire. The Finance function will be subject to an assessment by the internal auditor in accordance with the approved annual internal audit plan. The Audit Committee may also engage an external expert to carry out a detailed assessment based on their terms of reference.

Having assessed the finance function and arrived at its conclusion, the Audit Committee should use this outcome to influence its opinion on the effectiveness of financial reporting and financial controls

#	Question	Yes	No	Partially	Additional Comments
1.	**Finance function as a whole**				
1.1	The members of the finance function collectively have the requisite financial qualifications and experience to enable them to fulfill their functions and individually meet the prescribed financial management competency levels.				
1.2	The finance function focuses on providing decision support and business insight as well as transactional processing.				
1.3	Reports from the finance function show a good understanding of what the entity does and the industry in which it operates.				
1.4	Feedback about the finance function (whether formal or informal) from internal audit and the Auditor-General has been satisfactory.				

#	Question	Yes	No	Partially	Additional Comments
1.5	The absence of major audit adjustments identified during the external audit demonstrates that the finance function is competent and diligent in its work.				
1.6	The number and quality of people in the finance function is appropriate to the size and nature (complexity) of the entity and its operations.				
1.7	The quality of the internal financial reporting to the Audit Committee is adequate as is reporting to the relevant Municipality / Municipal Entity.				
1.8	The quality of the annual financial statements in the annual report is comprehensive and of an acceptable standard.				

#	Question	Yes	No	Partially	Additional Comments
1.9	The structure and positioning of the finance function ensures that there is adequate supervision of the work performed by suitably qualified people.				
1.10	Members of the finance function are up to date with developments in their area/s of responsibility.				
1.11	Members of the finance function have shown their willingness and ability to deal with difficult or contentious financial reporting issues and to bring these issues to the Audit Committee's attention.				
1.12	There is an adequate succession plan in place for members of the finance function.				
1.13	The financial spending is in line with approved budgets in terms of strategic plans/ integrated development plans.				
1.14	The finance function has complied with MFMA				

#	Question	Yes	No	Partially	Additional Comments
	requirements with regards to financial management.				
1.15	The lack of unauthorised expenditure reveals that the finance function is committed to controlling spending.				
1.16	The finance function has sufficient control to prevent and detect fruitless and wasteful expenditure				
1.17	The finance function takes notice of any significant findings reported by the external and internal audit during the external audit and puts action plans to implement them and to address weaknesses identified.				

ANNEXURE E: APC WORK PLAN TEMPLATE

AMAHLATHI LOCAL MUNICIPALITY AUDIT COMMITTEE WORK PLAN TEMPLATE

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C ITEMS FOR QUARTERLY CONSIDERATION 0

4. CONTINUOUS IMPROVEMENT 2

5. EVALUATION OF ACTIVITIES 2

DOCUMENT OWNER

The Audit Committee approves this Work Plan. The work plan is applicable to the entire entity.

PURPOSE

The purpose of the Work Plan is to ensure that the Audit Committee deals with all its responsibilities during the financial year and report to its appropriate Stakeholders.

WORK PLAN

REQUIRED POLICIES AND PROCEDURES

A	Policy Name	Status	Implementation Date	Revision Date	Compliance Reference	Template Reference
1	Audit Committee Charter					
2	Code of Ethics					
3	Combined Assurance Model					
4	Delegation of Authority Framework					
5	Risk Management Framework, Policy and Plan					
6	Risk Management Plan					
7	Internal Audit Charter					
8	IT Steering Committee Terms of Reference					

B. ITEMS FOR QUATERLY CONSIDERATION/ACTION

Legends

Applicable in that quarter	ü
Not applicable in that quarter	x

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
	Estimated Number of meetings			2	1	1	2		
1	Review the appropriateness of accounting policies applied and disclosed in the annual financial statements	AFS	CFO	ü	×	×	×		
2	Review the appropriateness of assumptions made by management in preparing the annual financial statements	AFS	CFO	ü	×	×	×		
3	Review the significant accounting and reporting issues, and understand their impact on the annual financial statements	AFS	CFO	ü	×	×	×		
4	Review the annual financial statements to ensure quality and integrity of the document;	AFS	CFO	ü	×	×	×		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
5	Review the annual financial statements of the Municipality/Municipal Entity for the reasonableness, completeness and accuracy in a timely basis	AFS	CFO	ü	×	×	×		
6	Obtain assurance from management with respect to the accuracy of the financial statements	AFS	CFO	ü	×	×	×		
7	Obtain assurance from management that the municipal audit file has been prepared in line with the applicable standards and guidance contained in relevant legislative documents	AFS Audit File	CFO	ü	×	×	×		
8	Review with management and the external auditors the results of external audit, including any significant issues identified	External Audit Report/ Management Report	AGSA	×	×	ü	×		
9	Review the annual report and related regulatory filings before release and	Annual Report	General Manager	×	×	ü	×		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
	consider the accuracy and completeness of the information								
10	Review the External Auditors' proposed audit scope of work, approach and audit fees for the year and the extent of co-ordination with the internal audit unit	External Audit Engagement Letter	AGSA	ü	×	×	×		
11	Review the findings and recommendations by External Auditor and management responses thereto	External Audit Action Plan	CFO	×	×	ü	×		
12	Review implementation of External Auditor's recommendations by management	External Audit Action Plan	CFO	ü	×	ü	ü		
13	**Review the performance of External Auditors with inputs from the Chief Financial Officer and provide feedback to the Auditor-General**			×	×	ü	×		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
14	Review the allocation of hours and fees by the External Auditors in relation to audit risks and make recommendations in respect thereof to the Council/Board	External Audit Engagement Letter	AGSA	ü	×	×	×		
15	Ensure that there is proper coordination of audit efforts between Internal and External Auditors;	Internal Audit Plan	Internal Audit Manager	×	×	×	ü		
16	Meet separately with the External Auditors to discuss any matters that the Committee or External Auditors believe should be discussed privately	Invitation for AG and APC members	APC Chairperson	ü	ü	ü	ü		
17	Review the report on the annual financial statements and matters raised therein for reasonability and accuracy	Annual Financial Statements	CFO	ü	×	×	×		
18	Advise the Accounting Officer on actions taken relating to significant matters raised in External Audit reports	Management Report	AGSA	×	×	×	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
19	**Ensure that management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control**	Internal Audit Reports	Internal Audit Manager	ü	ü	ü	ü		
20	**Assess whether management has relevant policies and procedures in place and that these are adequate, effective and updated regularly**	Internal Audit Reports	Internal Audit Manager	ü	ü	ü	ü		
21	Assess steps taken by management to encourage ethical and lawful behavior; financial discipline and accountability for use of public resources	Risk Awareness Session Report	Risk Management	ü	ü	ü	ü		
22	Obtain an understanding of the scope of External auditors' review of internal controls and financial reporting processes, and review their reports on significant findings and recommendations, together with	Management Reports	AGSA	×	×	ü	×		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
	management's responses								
	Obtain an understanding of the scope of Internal auditors' review of internal controls and financial reporting processes, and review their reports on significant findings and recommendations, together with management's responses	Internal Audit Reports	Internal Audit Manager	ü	ü	ü	ü		
23	**Review whether the financial internal controls are operating efficiently, effectively and economically**	Internal Audit Reports	Internal Audit Manager	ü	ü	ü	ü		
24	Review and comment on compliance with statutory requirements and performance management best practices and standards	Non Financial Quarterly Performance Reports	General Manager	ü	ü	ü	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
25	Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements	IDP/SDBIP	General Manager	×	×	ü	×		
26	Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the municipality	SDBIP	General Manager	×	×	ü	×		
27	Review compliance with in-year reporting requirements	S 52 (d) and S 72 Reports	CFO	ü	ü	ü	ü		
28	Review the quarterly performance reports submitted by internal audit	Progress reports on implementation of internal audit operational plan	Internal Audit Manager	ü	ü	ü	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
29	Review and comment on Municipality's/ Municipal Entity's annual financial statements and timely submission to the Auditor-General by 31 August, each year	Annual Financial Statements	CFO	ü	×	×	×		
30	Review and comment on the Municipality's/ Municipal Entity's annual reports within the stipulated timeframes	Annual Report	General Manager	×	×	ü	×		
31	Review and comment on the Municipality's/ Municipal Entity's performance management system and make recommendations for its improvement	Quarterly Performance Reports/ Annual Performance Report/	General Manager	ü	ü	ü	ü		
32	Review whether the performance reporting and information uses appropriate targets and benchmarks	SDBIP/ Quarterly Performance	General Manager	×	×	ü	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
		Reports/ Annual Performance Report/							
33	Review the quality, effectiveness and independence of the internal auditors	Report from Internal Audit Manager	Internal Audit Manager	×	ü	×	×		
34	Approval of Internal Audit Charter	Internal Audit Charter	Internal Audit Manager	×	×	×	ü		
35	Approval of Internal Audit Plan	Internal Audit Plan	Internal Audit Manager	×	×	×	ü		
36	Review of annual assessment of internal financial controls	Audit and Performance Committee Review Report	Audit and Performance Committee	×	×	×	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
			Chairperson						
37	Review the use of the Internal Auditors for Non-Audit Purposes	Accounting Officer Requests	Internal Audit Manager	ü	ü	ü	ü		
38	Review the resources of the Internal Auditors	Internal Audit Quarterly Performance Report	Internal Audit Manager	ü	ü	ü	ü		
39	Conduct an external independent quality review of the Internal Audit function every 5 years	N/A		x	x	x	x		
40	In camera: Meet with Internal Audit without Management Present	IA and APC Members Invitation APC Meetings	APC Secretariat	ü	ü	ü	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
41	Review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive	HR Report on appointment of CAE	Corporate Services Director	ü	ü	ü	ü		
42	Assist with resolving any difficulties or unjustified restrictions or limitations on the scope of Internal Audit work	Internal Audit Reports	Internal Audit Manager	ü	ü	ü	ü		
43	Review significant findings and recommendations by Internal Audit and management responses thereto	Internal Audit Reports	Internal Audit Manager	ü	ü	ü	ü		
44	Review implementation of Internal Audit recommendations by management	Internal Audit Follow Up Reports	Internal Audit Manager	ü	ü	ü	ü		
45	Review the performance of the Chief Audit Executive	Chief Audit Executive Performance Report	Internal Audit Manager	ü	×	ü	×		
46	Risk Management Policy and	Risk	RIMCO	×	×	×	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
	Framework Review and recommend for approval by AO	Management Policy	Chairperson/ CRO						
47	Risk Management Strategy review and recommend for approval by AO	Risk Management Framework	RIMCO Chairperson/ CRO	×	×	×	ü		
48	Risk Management Implementation Plan review and recommend for approval by AO	Risk Management Implementation Plan	RIMCO Chairperson/ CRO	×	×	×	ü		
49	Risk Appetite and Tolerance levels review and recommend for approval by the AO	Risk Management Framework	RIMCO Chairperson/ CRO	×	×	×	ü		
50	Risk Identification and Assessment Methodologies review for effectiveness	Risk Management Framework	RIMCO Chairperson/ CRO	×	×	×	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
51	Review and advise the accounting officer and management on ICT Governance, adequacy of ICT related controls and safeguarding of information	ICT Report	ICT Manager/ Corporate Services Director/ ICT Steering Committee Chairperson	ü	ü	ü	ü		
52	Review and advise the accounting officer and management regarding the appropriateness of disaster recovery and continuity plans	Disaster Recovery and Continuity Plans	ICT Manager/ Corporate Services Director/	x	x	x	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
			ICT Steering Committee Chairperson						
53	Review whether management has considered compliance risks as part of the risk assessments	Compliance Risk Assessment Register	RIMCO Chairperson/ CRO	×	×	×	ü		
	Review whether management has considered legal risks as part of the risk assessments	Legal Report	Legal Manager	×	×	×	ü		
54	Review the effectiveness of the system for monitoring compliance with laws and regulations	Compliance report	RIMCO Chairperson/ CRO	ü	ü	ü	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
55	Review the findings of any examinations by regulatory agencies, and any auditor observations	Regulatory agencies, and any Auditor Observations Reports	Applicable Director	ü	ü	ü	ü		
56	Review the process for communicating the code of conduct to the officials, and for monitoring compliance therewith	Risk Management Report/ Risk Awareness Reports	RIMCO Chairperson/ CRO	ü	×	×	×		
57	Obtain regular updates from management regarding compliance matters	Compliance report	RIMCO Chairperson/ CRO	ü	ü	ü	ü		
58	Review Audit Committee Terms of Reference	Audit Committee Charter	Internal Audit Manager	×	×	ü	×		
	Review Risk Committee Terms of Reference	Risk Committee	RIMCO Chairpers	×	×	ü	×		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
		Terms of Reference	on/ CRO						
59	Review Composition of the Audit Committee	Audit Committee Charter	Internal Audit Manager	×	×	×	ü		
60	Performance Evaluation of the Audit Committee	Report on Audit Committee Performance Evaluation Report	Audit and Performance Committee Chairperson	×	×	×	ü		
61	Audit Committee report to the Governing Body	Audit and Performance Committee Report to Council	Audit and Performance Committee	ü	ü	ü	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
			Chairperson						
62	Review Code of Ethics	Code of Ethics	RIMCO Chairperson/ CRO	ü	×	×	×		
63	Financial Report and Forecast	S 52 (d) Reports	CFO	ü	ü	ü	ü		
64	Proposals for Capital Expenditure in terms of Delegation of Authority	S 52 (d) Reports	CFO	ü	ü	ü	ü		
65	Cash Flow Report	S 52 (d) Reports	CFO	ü	ü	ü	ü		
66	Risk Management Report, Including Risk Register	Risk management Report	RIMCO Chairperson/ CRO	ü	ü	ü	ü		
67	Schedule of Fraud and Theft	Report from CFO	CFO	ü	ü	ü	ü		
68	Internal Audit Report	Internal Audit	Internal	ü	ü	ü	ü		

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT

	Consideration/Action	Required information	Responsible Person	Q1	Q2	Q3	Q4	Compliance Reference	Template Reference
		Reports	Audit Manager						

INTERNAL AUDIT EFFECTIVENESS ASSESSMENT