

AUDIT & PERFORMANCE AUDIT COMMITTEE CHARTER



BREEDV VALLEY

MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

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1. Introduction

- 1.1 The charter is used to guide the activities of the audit & performance audit committee on an ongoing basis. The audit & performance audit committee charter sets out the objectives, roles and responsibilities, composition, structure and membership requirements, relationships with other stakeholders, authority for the committee to conduct enquiries and access municipality records and personnel, outlines procedures for meetings, addresses the confidentiality and independence of committee members, and provides for ethical conduct and reporting.
- 1.2 The charter should be used as a basis for:
 - 1.2.1 preparing the audit & performance audit committee's annual work plan
 - 1.2.2 setting the agenda for meetings
 - 1.2.3 requesting skills and expertise
 - 1.2.4 making recommendations to the accounting officer and municipal council
 - 1.2.5 assessing the audit & performance audit committee's performance by its members, municipal council, management, Auditor-General and internal auditors
 - 1.2.6 contributions and participation at meetings.

2. Authority

- 2.1 The audit & performance audit committee operates as a committee of council. The audit & performance audit committee performs the responsibilities assigned to it by the Municipal Finance Management Act, No 56 of 2003 (the MFMA), Municipal Systems Act, No 32 of 2000 (the MSA), Municipal Planning and Performance Management Regulations, and the corporate governance responsibilities delegated to it under this charter by council.
- 2.2 A charter is the written terms of reference approved by council which outlines the mandate & authority of the audit & performance audit committee. The charter becomes the policy of the audit & performance audit committee which then informs the contracts of the audit & performance audit committee members.
- 2.3 The audit & performance audit committee shall have the authority to perform functions, and to obtain any information and advice, from within or outside the municipality, in order to perform its functions as legislated. Appropriate resources will be made available to the audit & performance audit committee to perform its functions as agreed in its charter.
- 2.4 The audit & performance audit committee may:
 - 2.4.1 communicate with the council, municipal manager or the internal and external auditors of the municipality or municipal entity.
 - 2.4.2 have access to municipal records containing information that is needed to perform its duties or exercise its powers.
 - 2.4.3 request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee.
 - 2.4.4 conduct investigations into the financial affairs of the municipality, as may be requested by the council of the municipality.
- 2.5 The Municipal Public Accounts Committee (MPAC), in discharging its responsibilities, may make use of any information provided by the audit committee to avoid duplication of effort.

3. Composition

- 3.1 Section 166 of the MFMA provides for a minimum requirement for the composition of an audit & performance audit committee.
- 3.2 The audit & performance audit committee shall consist of at least three independent members, of which at least one person has expertise in performance management. Working knowledge of business is required i.e., financial management, legal, auditing and performance management.
- 3.3 In terms of best practice, the number and/or size of audit & performance audit committee can be increased to address the requirements, characteristics and needs of the municipality which will also be guided by the approved charter.
- 3.4 These requirements apply to all municipalities regardless of whether the audit & performance audit committee is established inhouse or through a shared service.

4. Appointment of Members

- 4.1 Section 166(5) of the MFMA requires that the members of an audit & performance audit committee must be appointed by the council of the municipality. One of the members, who are not in the employ of the municipality, must be appointed as the chairperson of the committee. Councillors are not allowed to be members of an audit & performance audit committee. The appointed members should enter into a contract with the municipality according to the approved charter.
- 4.2 Except in the case of shared audit & performance audit committees, the council must ensure that audit & performance audit committee members do not serve on more than three (3) local government audit & performance audit committees simultaneously as the practice of serving on too many committees may impact negatively on performance of audit & performance audit committees contributing to their effectiveness.

5. Qualities of Members

- 5.1 The chairperson of the audit & performance audit committee should be appointed after the following factors have been considered.
- 5.2 The Chairperson should:
 - 5.2.1 have a good standing and ability to lead discussions
 - 5.2.2 create vision and provides direction at meetings
 - 5.2.3 build municipal capabilities by guiding management based on expert knowledge and skills
 - 5.2.4 promote and achieve quality outcomes at meetings
 - 5.2.5 have the ability to speedily and effectively advise council or the board of directors of any impending non-compliance with the legislative framework
 - 5.2.6 have the ability to encourage other members to participate in audit & performance audit committee meetings
 - 5.2.7 conduct meetings in a manner that demonstrates a desire to establish effective communication with all stakeholders

- 5.3 In determining suitable candidates for an audit & performance audit committee and maintaining a balanced composition, the accounting officer should seek to appoint candidates that have ability to:
- 5.3.1 perform the role as advisor to management
 - 5.3.2 communicate effectively with management
 - 5.3.3 carefully review information received and obtain clarification from management as and when appropriate
 - 5.3.4 raise relevant questions, evaluate responses and follow up on any matter that is unclear
 - 5.3.5 conduct responsibilities in the context of the municipality's strategic objectives and overall corporate governance of the council
 - 5.3.6 act independently and be proactive in advising the accounting officer regarding issues that require further management attention
 - 5.3.7 encourage openness and transparency
 - 5.3.8 build relations with management
 - 5.3.9 have a professional approach to performing duties, including commitment of time and effort, and
 - 5.3.10 each committee member must be independent and appropriately skilled.

6. Skills and Experience

- 6.1 Members should be selected from different areas of expertise to enhance the audit & performance audit committee's overall knowledge of the municipality and the ability to discharge its obligations and provide appropriate recommendations to the council.
- 6.2 The roles and responsibilities of an audit & performance audit committee can be used as a baseline to obtain relevant skills that members must possess. This will ensure that appointed members are competent to carry out their responsibilities as set out in the audit & performance audit committee's charter.
- 6.3 The appointed members should collectively possess the following skills and experience:
- 6.3.1 private and public sector experience
 - 6.3.2 an understanding of service delivery priorities
 - 6.3.3 good governance and/or financial management experience
 - 6.3.4 an understanding of the role of council and councillors
 - 6.3.5 an understanding of the operations of the organisation
 - 6.3.6 familiarity with risk management practices
 - 6.3.7 an understanding of internal controls
 - 6.3.8 an understanding of major accounting practices and public sector reporting requirements
 - 6.3.9 an understanding of public sector reforms
 - 6.3.10 familiarity with legislation applicable to municipalities
 - 6.3.11 an understanding of the roles and responsibilities of internal and external auditors
 - 6.3.12 an understanding of the treatment of allegations and investigations
 - 6.3.13 an understanding of the performance management system

7. Membership and Independence

The audit & performance audit committee must be independent and safeguarded from undue influence in exercising its responsibilities in an objective manner. To enhance the audit & performance audit committee functioning, the following is required:

- 7.1 The audit & performance audit committee chairperson and members should be independent of the municipality
- 7.2 The audit & performance audit committee chairperson and members should not be biased but exhibit an independence of mental attitude during deliberations
- 7.3 All audit & performance audit committee members should declare private and business interest in every meeting
- 7.4 All members should not carry out any business with the municipality.

8. Term of Office

- 8.1 To enhance independence of the audit & performance audit committee, the term of office for members must be strictly adhered to. The chairperson should be appointed for a minimum of three years to ensure that he/she contributes most effectively and provides stability to the audit & performance audit committee.
- 8.2 Other audit & performance audit committee members should serve at least a minimum of three years with an option to renew for another three years, based on performance. Recruitment of members should be staggered to prevent a loss of knowledge and skills in the committee. The recruitment process of new members should be concluded at least three months in advance of the expiry of existing members' term. The chief audit executive and the accounting officer must maintain records of audit & performance audit committee member contracts and ensure recruitment is undertaken as mentioned above.
- 8.3 Rotation of members is encouraged as it enhances the independence of the audit & performance audit committee. Members of the audit & performance audit committee should not be contracted continuously for a period exceeding six years. After serving consecutively for six years, a cooling off period of two years should be provided for, before appointing the same member to the same audit & performance audit committee.
- 8.4 Members should be encouraged not to terminate their contracts until they have shared their knowledge with other new members. A committee member should give two months' notice prior to resignation.
- 8.5 The committee members should have the opportunity to have an exit meeting with the council to discuss the reason for leaving and to provide feedback on their experience on the audit & performance audit committee as well as any other issues. The date of resignation should be minuted by the secretariat of the audit & performance audit committee.
- 8.6 Committee members can be dismissed by the municipal council under certain circumstances. The accounting officer or municipal council should consult the charter when dismissing members of the committee. Reasons for dismissal amongst other would normally be detailed in the letter of appointment and contract agreement, such as:
 - 8.6.1 Where an on-going conflict of interest exists.
 - 8.6.2 Where a member has not performed to expectations.

- 8.7 The official dismissal process as it relates to the municipality should be adhered to by the accounting officer and municipal council when an audit & performance audit committee member is being dismissed.
- 8.8 Where appropriate, the dismissal process is linked to the charter and member's performance assessment process. The dismissal of a member should be performed by the municipal council and the outcome of the dismissal process should be in writing. The date of dismissal should be minuted by the secretariat of the audit & performance audit committee.

9. Induction of Members

- 9.1 A formal process of induction must be facilitated by the chief audit executive in consultation with the accounting officer. During the induction of members, the roles and responsibilities of the audit & performance audit committee must be clarified. The induction process should entail sufficient briefings and information on their roles, responsibilities, accountability and management's expectations. Induction of members can also be facilitated by Provincial Treasury or National Treasury, upon request.
- 9.2 New members should meet and be briefed by the accounting officer, chief financial officer, chairperson of the audit & performance audit committee and the chief audit executive. New members should also be introduced to the external auditors. The information to be provided to new members should include:
- 9.2.1 the municipality's governance and operational structures and how the audit & performance audit committee operates within this structure
 - 9.2.2 copy of the audit & performance audit committee's charter, including any policies, recent audit & performance audit committee minutes, audit management letter, audit opinion, including details of outstanding issues, council resolutions and recommendations presented to the municipal council
 - 9.2.3 copies of the relevant legislation
 - 9.2.4 copies of the latest municipality's annual report, annual financial statements, integrated development plan, budgets, service delivery and budget implementation plans, in-year reports, code of conduct, performance agreements, risk register and risk management plans
 - 9.2.5 information from management and the internal auditor on the risk profile, status of internal controls and system of delegation
 - 9.2.6 a copy of the internal audit charter and annual work plans, among others.

10. Reporting

- 10.1 The chairperson of the audit & performance audit committee will report twice a year, or more frequently if required, to the municipal council on the operations of the internal audit function and the audit & performance audit committee. The report should include:
- 10.1.1 a summary of the work performed by internal audit and the audit & performance audit committee against the annual work plan
 - 10.1.2 effectiveness of internal controls and additional measures that must be implemented to address identified risks
 - 10.1.3 the committee's assessment of the municipality's performance management system
 - 10.1.4 a summary of key issues dealt with, such as significant internal and external audit findings, recommendations and updated status thereof
 - 10.1.5 progress with any investigations and their outcomes in relation to the mandate
 - 10.1.6 details of meetings and the number of meetings attended by each member

10.1.7 other matters requested of the internal audit and audit & performance audit committee.

10.2 The Chairperson of the audit & performance audit committee must compile the APAC annual report which will be incorporated into the municipality's annual report covering the following:

- Membership of the APAC;
- The number of meetings held by the APAC;
- The number of meetings attended by the APAC Members;
- The effectiveness of the control systems, risk management processes and governance processes;
- The risk areas of the organisation operations covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy of financial and non-financial information provided by management;
- In-year management and monthly/quarterly report;
- Evaluation of financial statements;
- Review of the Auditor General's report;
- Accounting and auditing concerns identified because of internal and external audits;
- The entity's compliance with legal and regulatory provisions; and
- The effectiveness of IAF

10.3 The chairperson of the audit & performance audit committee must submit a copy of its report at least annually, or at other intervals, to the Municipal Public Accounts Committee (MPAC), for consideration during the MPAC engagements on the oversight report. The chairperson must be available whenever MPAC needs clarity on the report of the audit & performance audit committee.

10.4 Therefore, the roles and responsibilities and outputs of the internal auditor and audit & performance audit committee assist to inform the work of the MPAC and oversight structures.

11. Remuneration of Members

11.1 Remuneration will be in accordance with a tariff as approved by the council. The municipality may utilize the rates provided by the National Treasury. Should the accounting officer deem it necessary, he or she can, in consultation with the municipal council, determine other remuneration, provided that the charter properly define time and cost.

- 11.2 Remuneration of committee members are calculated on the basis of the types of meetings attended, taking into consideration the tariff approved by council. In calculating the remuneration due there is distinguished between two types of meetings:
- 11.3 **Audit & performance audit committee Meetings:**
- 11.3.1 Remuneration is calculated on a full day tariff
- 11.4 **Other Meetings:**
- 11.4.1 One to four (1-4) hours = half a day tariff
- 11.4.2 More than four (4) hours = a full day tariff
- 11.5 The reimbursement of all members for travel expenditure must be determined in accordance with the approved council policy or the rate per kilometer as published and updated by the National Department of Transport.
- 11.6 The accounting officer, in consultation with the chief financial officer, is required to approve the reimbursement of all travel expenditure for members of the audit & performance audit committee based on the above mentioned or make alternative arrangements to pay for modes of travel to such meetings, in terms of council policy.
- 11.7 The chairperson and members of the audit & performance audit committee will be required to complete all particulars of their respective travel to and from the venue of the audit & performance audit committee meetings.
- 11.8 In the event that a senior official from one municipality is requested to serve as a member of an audit & performance audit committee of another municipality, such senior official must first obtain written consent from the accounting officer before accepting such nominations. The remuneration discussed earlier will apply.

12. Performance Assessments

- 12.1 The audit & performance audit committee should assess its performance and achievements against its charter on an annual basis. The assessment should be conducted within 6 months after each financial year. The assessment would cover the performance of the individual member as part of the overall audit & performance audit committee with reference to the particular skills the member has brought to the audit & performance audit committee as a whole.
- 12.2 The aim of the self-assessment is to ensure that the audit & performance audit committee is meeting its objectives efficiently and effectively. The findings of the self-assessment should be presented by the chairperson to the accounting officer and municipal council.
- 12.3 Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the committee, the chair should take action to ensure that such enhancements are implemented. The chairperson may need to consult with the accounting officer and municipal council to obtain appropriate support to ensure all enhancements are implemented.
- 12.4 It may be beneficial for the audit & performance audit committee to use an external facilitator to provide assistance with, or to supervise the self-assessment process. It is up to the audit & performance audit committee to decide whether the services of an external facilitator are required.

- 12.5 An external facilitator can provide an impartial and objective view and can approach the evaluation process without bias or preconceived ideas. The chairperson and external facilitator should provide feedback to the audit & performance audit committee members and present the findings of the evaluation to the accounting officer and municipal council.
- 12.6 Where the audit & performance audit committee is not performing in accordance with their charter and this has been observed by various stakeholders such as for example, internal audit, external audit or management, it would be appropriate for this or other issues to be brought to the attention of the accounting officer and municipal council.
- 12.7 If an individual audit & performance audit committee member is not performing, then the member must be given an opportunity to address such with the municipal council. If it is considered necessary to terminate the services of an audit & performance audit committee member prior to the end of the term of appointment, proper procedures should be followed.

13. Roles and Responsibilities

The audit and performance audit committee responsibilities in relation to other functional areas are highlighted below:

13.1 Internal Audit

- 13.1.1 The audit & performance audit committee responsibilities relating to internal audit, which evaluates and contributes to the improvement of governance, risk management and control processes, are to:
- ensure that the charter, independence and activities of the internal audit function are clearly understood and respond to the objectives of the municipality and the legal framework
 - regularly review the functional and administrative reporting lines of the chief audit executive to ensure that the organisational structure is consistent with the principles of independence and accountability
 - periodically discuss the mandate of the IAF with the CAE to assess whether the authority, role and responsibilities continues to enable the IAF to achieve its strategy and accomplish its objectives
 - review and approve the internal audit charter, including the internal audit strategy, strategic & annual plan and any significant changes to the plan
 - confirm that the annual audit plan makes provision for critical risk areas in the municipality
 - advise the municipality on resources allocated to give effect to the work outputs of the internal audit function
 - consider and advise on the co-operation and co-ordination between internal audit and the Auditor-General (AGSA)
 - ensure that there is support for the internal audit function and external auditors from senior management
 - confirm with management that internal audit findings are submitted to the audit & performance audit committee on a quarterly basis
 - confirm actions taken by management in relation to the audit plan
 - consider and review 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

- evaluate the performance of internal audit function in terms of the agreed goals and objectives as captured in the audit plan
- ensure that the chief audit executive has unrestricted access to the chairperson of the audit & performance audit committee
- conduct a high-level review of internal audit on an annual basis, to ascertain whether the internal audit function complies with the International Standards for the Professional Practice of Internal Auditing
- concur with any appointment and termination of the services of the chief audit executive
- is responsible for the performance evaluation of the chief audit executive and recommends the level of appointment of the chief audit executive
- monitoring the appropriateness of the combined assurance framework, which will include inter alia, co-ordination and co-operation between AGSA, internal audit and other assurance providers to minimise duplication of effort, promote reliance on each other's work, and to ensure all significant risk areas are addressed
- confirm that a combined assurance framework is applied, the implementation of which is facilitated by internal audit.

13.1.2 Internal audit function is accountable to the audit & performance audit committee as follows:

- maintain open and effective communication with the audit & performance audit committee
- develop a flexible annual audit plan using a risk-based methodology, addressing any weaknesses in risks or controls identified
- submit the audit plan to the audit & performance audit committee for review and approval
- report on the implementation and results of the annual audit plan including special tasks requested by management and the audit & performance audit committee
- assist in drafting the agenda and documentation, and facilitate the distribution thereof to the audit & performance audit committee in advance of meetings
- meet periodically with the chairperson of the audit & performance audit committee to discuss whether the material and information furnished meets the requirements of the audit & performance audit committee
- obtain advice from the audit & performance audit committee whether the frequency and time allocated to the committee is sufficient to attend effectively to all matters
- cooperate with the audit & performance audit committee as they conduct annual reviews of the performance of the internal audit function
- submit the internal audit charter to the audit & performance audit committee for review and approval on an annual basis and as necessary.

13.2 External Audit

The audit & performance audit committee must in relation to external audit:

- take cognizance of the scope of work undertaken by the external auditor and the extent of co-ordination with the internal audit function
- review annual external audit plans, audit fees and other compensation
- review reports and monitor management's implementation of audit recommendations and municipal council resolutions with a view to ensuring satisfactory responses and corrective actions, where necessary
- review the report on the financial statements and matters raised therein for reasonability and accuracy

- obtain assurance from the Auditor-General that the annual performance information is a fair reflection of the municipality's performance and that adequate records are being maintained
- review any interim reports issued in order to take cognizance of the issues raised in determining the follow up work of internal audit
- conduct a review of the extent to which previously reported findings by the external auditor have been addressed by the municipal council
- provide advice to the accounting officer on actions taken relating to significant matters raised in external audit reports
- liaise with the external auditors on any matter that the audit & performance audit committee considers appropriate to raise with the external auditor
- ensure that the external auditors have reasonable access to the management and chairperson of the audit & performance audit committee
- address any potential restrictions or limitations with the accounting officer and council
- address outstanding matters raised by the external auditors and any findings are dealt with conclusively in an expeditious manner.

13.3 Annual Financial Statements

13.3.1 The accounting officer must prepare Annual Financial Statements (AFS) of the municipality within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing. (This should be linked to the MFMA calendar).

13.3.2 The audit & performance audit committee should review the AFS two weeks before submission to the Auditor-General. The process and timelines for audit & performance audit committee meetings should be changed accordingly. The auditor and auditee should plan this process carefully to meet the determined timelines.

13.3.3 The audit & performance audit committee must review the annual financial statements to provide the municipality, the council of the municipality with an authoritative and credible view of the financial position of the municipality by:

- confirming if the municipal audit file is prepared in line with the applicable standards and guidance contained in MFMA Circular 50, or as updated
- reviewing the unaudited annual financial statements of the municipality to ensure that the quality, integrity and content is consistent with applicable standards and compliant with the legal framework
- evaluating the annual financial statements of the municipality for reasonableness, completeness and accuracy, and provide comment thereon, on a timely basis
- considering the Auditor-General's opinion on the quality and appropriateness of the municipality's accounting policies
- reviewing efficiency and effectiveness of internal controls over AFS preparation and reporting

13.3.4 Specifically, with regards to Annual Financial Statements, the audit & performance audit committee should:

Review and challenge where necessary:

- arithmetical accuracy and consistency
- consistency of, and any changes to, accounting policies, comparing to prior years
- methods used to account for significant or unusual transactions where different approaches are possible

- whether the Municipality has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account previous audit outcomes
- the quality of disclosure in the Municipality's financial reports and the context in which statements are made
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management)
- all material issues in prior reports by the AGSA have been appropriately accounted for, resulting in fair presentation
- conduct analysis of trends and other financial ratio calculations e.g., year-on-year comparisons and composition of primary group e.g., salaries as a component of operations, whether operations are undertaken on a sustainable basis, operations at surplus or deficit, efficiency and solvency ratios, etc.

13.4 Risk Management Activities

13.4.1 The accounting officer is responsible for the establishment of effective risk management within the municipality.

13.4.2 The responsibilities of the audit & performance audit committee with respect to risk management:

- provide an independent and objective view of the effectiveness of the municipality's risk management
- where there is a separate risk management committee, the audit & performance audit committee is required to review recommendations made and consider these in line with the audit & performance audit committee charter
- the audit & performance audit committee must also provide feedback to the accounting officer and municipal council on the adequacy and effectiveness of risk management in the municipality
- in the case where there is no separate risk management committee, the oversight responsibilities of the audit & performance audit committee on risk management will be reflected in the charter of the audit & performance audit committee, approved by council.

13.5 Compliance with laws, regulations, ethics policies and procedures

13.5.1 The audit committee as part of its risk management and internal control responsibilities should ensure the management of the municipality has the necessary mechanisms in place to ensure compliance with pertinent laws and regulations and is conducting its affairs ethically. This must include maintaining effective controls against conflict of interest, fraud and corrupt practices.

13.5.2 The audit committee must review and monitor compliance with policy documents that should incorporate compliance with laws, regulations, ethics policies and rules regarding conflict of interest.

13.5.3 The audit committee must monitor the control processes and the adequacy of internal control by viewing risk committee documentation and internal and external audit reports.

13.5.4 The audit committee should communicate with the risk committee, internal and external auditors on:

- any fraudulent activities, suspected fraud or fraud investigations being conducted which they are aware of.
- any concerns about the nature, extent and frequency of management assessment of the accounting and control systems in place, to prevent and detect fraud.

13.5.5 Notify the municipal council when the accounting officer has been implicated in fraud, corruption or gross negligence.

13.5.6 Monitor developments and changes in law relating to the responsibility and accountability of management and review the extent to which management is meeting its obligations.

13.5.7 Ensure legal counsel regarding compliance where necessary.

13.6 Control Environment

The audit & performance audit committee members need to have a good understanding of the control environment, in fulfilling this responsibility the committee should:

- ensure that management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control
- establish whether management has relevant policies and procedures in place and that these are adequate, effective and regularly updated
- determine whether appropriate processes are followed and complied with on a regular basis
- consider measures applied on any required changes to the design or implementation of internal controls
- assess steps taken by management to encourage ethical and lawful behaviour; financial discipline and accountability for use of public resources.

13.7 Performance Management

13.7.1 Part of the responsibilities of the audit & performance audit committee includes the review of the performance management system. The municipality has reviewed its committees to ensure that in cases where there is an audit committee and a performance audit committee, that these are combined into one committee for effective management, oversight and reporting, as envisaged by section 166 of the MFMA.

13.7.2 The audit & performance audit committee members need to have a good understanding of the performance of the municipality. These include:

- review and comment on compliance with statutory requirements and performance management best practices and standards
- review and comment on the alignment of the Integrated Development Plan (IDP), the Budget, Service Delivery and Budget Implementation Plan (SDBIP) and performance agreements
- review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the municipality and its entities
- review compliance with in-year reporting requirements
- advise on the effectiveness of the system for monitoring compliance with applicable laws and regulations
- advise on the effectiveness of corporate policies relating to performance management

- review the quarterly performance reports submitted by internal audit
- review and comments on municipality's annual financial statements and timely submission to the Auditor-General by 31 August, each year
- obtain assurance from management with respect to the accuracy, completeness and validity of the performance information
- comment on the effectiveness of the internal controls over performance information being reported
- review and comment on the municipality's annual reports within the stipulated timeframes
- review and comment on the municipality's performance management system and make recommendations for its improvement to Council. In reviewing the municipality's performance management system, the committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned
- review the audited annual performance information and AGSA's Audit Report, prior to submission and approval by the council, focusing particularly on:
 - providing an authoritative and credible view on whether the municipality's goals and objectives as per the Integrated Development Plan (IDP), by the business unit under review have been achieved
 - the municipality's performance management system
 - compliance with statutory requirements.

13.8 Information Technology (IT) Governance

13.8.1 The audit & performance audit committee also needs to provide advice on IT governance, controls, access, safeguarding of information in the municipality.

13.8.2 Specific expertise may be required from within or outside the municipality from time to time; to assist the internal audit function and audit & performance audit committee formulate recommendations on systems and controls. The committee may have to advise on the appropriateness of disaster recovery and continuity plans supporting IT risks, regular testing and evaluation of plans, systems and processes.

13.9 Relationship with Stakeholders

The audit & performance audit committee is required to maintain good relations with key stakeholders, such as:

- Municipal Council
- Municipal Public Accounts Committee (MPAC)
- Accounting Officer
- Management and staff
- Internal Auditors and External Auditors
- Provincial Treasury
- National Treasury

14. Meetings

- 14.1 The audit & performance audit committee should meet as often as is required to perform its functions, but at least four (4) times a year.
- 14.2 The audit & performance audit committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
- 14.3 The audit & performance audit committee shall safeguard and treat as confidential all information supplied to it within the ambit of the law.
- 14.4 The secretariat responsibilities are to be performed by council's administration department, including providing all administrative support to the audit & performance audit committee meetings, sending invitations and documentation to members, coordinating and compiling of audit & performance audit committee meeting documentation, taking minutes at audit & performance audit committee meetings. The internal audit function is responsible for preparing all logistical arrangements relating to audit & performance audit committee meetings, including arrangement for the prompt payment of claims and fees, etc.
- 14.5 The chief audit executive, in consultation with the audit & performance audit committee secretariat in the municipality, must ensure that the required preparation for the meeting of the audit & performance audit committee is finalized at least 7 days before the commencement of the meeting and that substantive work would be undertaken for the duration of the meeting.
- 14.6 Any person attending the meeting may add items to the agenda three (3) days before the agenda is finalized. Such items should be provided to the chairperson or the chief audit executive. Special meetings of the audit & performance audit committee may be convened with the chairperson's approval. Any member of the audit & performance audit committee, the internal or external auditors may request a special meeting if they consider that one is necessary.
- 14.7 The majority of the members will form a quorum, and if the chairperson is absent, the members that are present, will elect one of the members as chairperson for that meeting. If there are no quorum the meeting will be adjourned to a new date and time not exceeding two weeks.
- 14.8 The members are the only persons with voting rights. Voting shall be by a show of hands unless decided by all members that it be by ballot. The chairperson shall have a casting vote. If a member wants to dissent or protest against a decision, he or she may request that it is recorded in the minutes.
- 14.9 The following persons have a standing invitation to the audit & performance audit committee and attend all meetings:
- Municipal Manager
 - Accounting Officer of the Entity
 - Chief Audit Executive of the municipality
 - Chief Financial Officer
 - External Auditor
 - Provincial Treasury
 - National Treasury

- Any other person on invitation by the chairperson of the audit & performance audit committee

14.10 The chief audit executive, in consultation with the chairperson of the audit & performance audit committee, must determine the time frames of all meetings. In light of the financial implications, the accounting officer in consultation with the chairperson of the audit & performance audit committee must agree, if meetings go beyond a one day sitting.

15. Review Period

This charter will be reviewed annually and updated to ensure relevance and consistency with the MFMA, Municipal Systems Act (Act 32 of 2000) and other related legislation, guides and best practice, and submitted to council for approval. Following approval, the audit & performance audit committee charter will be published on the municipal website to promote awareness to all stakeholders.