



**WEST COAST DISTRICT MUNICIPALITY'S**

**AUDIT- AND PERFORMANCE AUDIT  
COMMITTEE CHARTER**

2017/2018

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## **INTRODUCTION**

1. This Charter, made in terms of the Municipal Finance Management Act, Act No 56 of 2003 (MFMA), is the document governing the relationship between Council and the Audit and Performance Committee in the interests of service to the community and good governance. If there is any conflict between the MFMA and this Charter, the provisions of the MFMA shall prevail.
2. The Charter must be published on the Municipal Website to ensure transparency.

## **PURPOSE OF THE AUDIT CHARTER**

3. This charter sets out the specific responsibilities of the Audit and Performance Committee and the manner in which the Committee operates.

## **EXPECTATIONS OF COUNCIL**

4. Council expects that the Audit and Performance Committee will add value to Council's strive towards ensuring:
  - 4.1 The best possible financial, administrative and technical systems to support management in their endeavors to fulfill the visions and missions of Council.
  - 4.2 Credible audit reports which represent a true reflection of Council's performance in the delivery of service to the community, in terms of the IDP (Integrated Development Plan) and the PMS (Performance Management System).
  - 4.3 Credible audit reports in terms of Council's financial statements, internal control and the supply chain management (procurement of goods and services).

## **ROLE**

5. The Audit and Performance Committee must assist Council by providing inputs to ensure effective systems that complement service delivery, safeguarding of municipal assets, the maintenance of financial records, risk management, corporate governance and an effective internal control system.
6. The Audit and Performance Committee must consider any matters relating to the financial affairs of the Council and to the internal and external audit function. The Committee must also investigate any other matters referred to it by Council or the Municipal Manager, provided that such matters are legitimate and within the scope of the Audit and Performance Committee's duties.

## **AUTHORITY AND POWERS**

7. In terms of section 166(2) of the Municipal Finance Management Act, the Audit and Performance Committee is an independent advisory body with no executive powers.
8. The Audit and Performance Committee:
  - 8.1 functions in terms of the Municipal Finance Management Act;
  - 8.2 does not perform any management functions or assume any management responsibilities;
  - 8.3 makes recommendations to management via Council, resulting from activities carried out by the Committee in terms of its reference.

## **COMPOSITION**

9. The Audit and Performance Committee consists of at least three and not more than five members appointed by Council for a three year period which may be renewed for a further three years. Thereafter the current members may apply and the Council may reappoint the members if the applications received do not meet the minimum requirements of the position.
10. Members must have appropriate experience but one member may be appointed to represent the general community. One or more employees of the municipality may be appointed but employees must always be less in number than independent members. Councilors may not be appointed.
11. All new members must undergo a formal induction process facilitated by the Chief Audit Executive to understand their role and the functions of the municipality.
12. Council appoints one of the members who is not in the employ of the municipality as Chairperson.
13. The Chairperson should be appointed for a minimum period of 3 years.
14. The Following non-members may attend the Audit and Performance Committee meetings:
  - 14.1 A representative from the office of the Auditor-General,
  - 14.2 A representative from the Treasury Department,
  - 14.3 The Mayor,
  - 14.4 Any other councilor or official invited by the Committee to attend..
  - 14.5 The Municipal Manager
  - 14.6 The head of the various Portfolio committees.

15. In the event of a vacancy occurring amongst the members of the Audit and Performance Committee, Council must fill that vacancy for the un-expired portion of the vacating member's term of appointment.

## **OBJECTIVES**

16. In order to fulfill its role, the Audit and Performance Committee will have the following objectives in terms of section 166 (2) (a) (i to ix) of the Municipal Finance Management Act of 2003.
17. Advise Council, the political office bearers, the accounting officer and the management staff of the municipality, on matters relating to:
  - 17.1 Internal financial control and internal audits.
  - 17.2 Risk management
  - 17.3 Accounting policies;
  - 17.4 The adequacy, reliability and accuracy of financial reporting and information;
  - 17.5 Performance management
  - 17.6 Effective governance
  - 17.7 Compliance with the MFMA, Division of Revenue Act (DoRA) and any other applicable legislation
  - 17.8 Performance evaluation; and
  - 17.9 Any other issues referred to it by Council.

## **FUNCTIONS**

18. In order to reach the objectives, the Audit and Performance Committee will have the following functions as prescribed in section 166 (2) (a) to (e) of the Municipal Finance Management Act, 2003. Local Government Municipal and Performance Management Regulation, 2001 and by the office of the Auditor-General.
  - 18.1 Advise Council on all matters related to compliance and effective governance;
  - 18.2 Review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual DoRA and other applicable legislation;
  - 18.3 Respond to Council on any issues raised by the Auditor-General in the audit report;

- 18.4 Carry out such investigations into the financial affairs of the municipality as Council may request;
- 18.5 Perform such other functions as may be prescribed to it by Council;
- 18.6 Review the quarterly reports submitted to it by the internal audit;
- 18.7 Evaluate audit reports pertaining to financial, administrative and technical systems;
- 18.8 Evaluate the compliance with existing policies and relevant legislation;
- 18.9 Evaluate audited financial statements and reports with regard to the procurement of items and services;
- 18.10 Compilation of reports to Council, at least twice during a financial year;
- 18.11 Review the performance management system and make recommendations in this regard to Council;
- 18.12 Assess whether the performance indicators are sufficient;
- 18.13 Determine possible reasons for discrepancies between performance and targets;
- 18.14 Identify major risks to which Council is exposed and determine the extent to which risk have been minimized;
- 18.15 Review significant transactions that do not normally form part of Council's business;
- 18.16 Review the disaster recovery plans;
- 18.17 Review the annual report of the municipality
- 18.18 Investigate cases of fraud, misbehavior and conflict of interest involving employees;
- 18.19 Focus on and review changes in the accounting policies;
- 18.20 Make recommendations to Council and monitor the Implementation of its recommendations;
- 18.21 Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers;
- 18.22 Review on a regular basis, its own effectiveness against pre-set criteria such as:
  - 18.22.1 Did the Audit and Performance Committee have enough meetings?
  - 18.22.2 Did all members participate fully in the discussions at the meetings?

18.22.3 How good was the co-operation with the internal Audit function, Management and the Office of the Auditor-General?

18.23 Act as the Performance Audit Committee of Council in terms of Section 14(2) (C) of the Local Government Municipal Planning and Performance Management Regulations (R796 dated 24 August 2001).

19. Review the plans of the Internal Audit Function and in so doing; ensure that the Plan addresses the high-risk areas, and that adequate resources are available.
20. Review audit results and action plans implemented by management
21. Provide support to the internal Audit Function.
22. Ensure that no restrictions or limitations are placed on the Internal Audit section.
23. Evaluate the activities of the Internal Audit Function in terms of its role as prescribed by legislation.
24. Review the proposed budget for the following year.
25. Assess its performance and achievements against its charter annually.
26. Provide advice on IT governance, controls, access, and safeguarding of information.

## **Functions regarding Risk Management**

27. Ensure that combined assurance is given to address all the significant risks facing the municipality.
28. Advise council on risk management. (This will be clearly defined in the charter)
29. Review the internal and external audit plans and ensure that these plans address the risk areas of the municipality
30. Review and recommend disclosures on matters of risk and risk management in the Annual Financial Statements (AFS)
31. Review and recommend disclosures on matters of risk and risk management in the annual report.
32. Evaluate the effectiveness of Internal Audit in its responsibilities for risk management.
33. Provide regular feedback to the MM on the adequacy and effectiveness of risk management in the municipality, including recommendations for improvement.
34. Ensure that internal and external audit plans are aligned to the risk profile of the municipality.
35. Ensure that all risks including, IT, fraud, financial reporting, internal financial controls and OHS risks have been appropriately addressed.

36. Provide an independent and objective view of the municipality's risk management effectiveness.

## **ACCESS TO INFORMATION**

37. The Audit and Performance Committee is authorized to request an investigation into any activity within its powers as identified in the Act and this charter. The Audit and Performance Committee has the right to seek independent advice and must be provided with the resources necessary to investigate such matters.
38. The Audit and Performance Committee shall have unrestricted access to departmental staff and records containing information needed to properly perform its duties and execute its powers. The Audit and Performance Committee will safeguard all the information supplied to it in full compliance with the law.

## **REPORTING RESPONSIBILITIES**

39. The Audit and Performance Committee through its Chairperson may report direct to the Mayor, Executive Committee or Council as circumstances may demand (or require).
40. The minutes of each meeting must be submitted to the Municipal Manager together with such specific reports the Audit and Performance Committee may wish to bring to the notice of Council.

## **COMMUNICATION**

41. There should be a direct line of communication between the Audit and Performance Committee and the Internal Audit section and the office of the Auditor-General and Council.
42. The Internal Audit section must submit reports quarterly or as often as required to the Audit and Performance Committee pertaining to their audits and investigations.

## **ADMINISTRATIVE PROCEDURES**

43. The office of the Municipal Manager is responsible for all administrative matters pertaining to the Audit and Performance Committee.
44. The office of the Municipal Manager will provide reports to the Audit and Performance Committee and will see to it that reports from the Committee serve before Council.
45. The Chairperson of the Audit and Performance Committee or his/her representative may attend the meetings of the Finance Committee, Procurement Committee, Executive Committee and Council, when reports of



the Audit and Performance Committee serve before such Committee or Council.

46. The Audit and Performance Committee may initiate its own reports to serve before Council.
47. Meetings of the Audit and Performance Committee will be minuted and copies of the minutes will be circulated to all members, Municipal Manager, Executive Committee and Council.
48. The Audit and Performance Committee must review the charter annually and submit it to Council for approval.

## **RESIGNATIONS**

49. Audit and Performance Committee members should give 2 months' notice prior to resignation.
50. Any Audit and Performance Committee member should have an exit meeting with Council to discuss reason for leaving, etc.
51. Dismissal processes as they relate to the municipality should be adhered to when an Audit and Performance Committee member is being dismissed.

## **MEETINGS**

52. The Audit and Performance Committee must meet at least four times a year or as often as required to perform its function.
53. Any two members, Council or the Auditor-General may request a special meeting.
54. A quorum of more than two members will be needed to constitute a meeting.
55. At least 14 days prior written notice of any meeting must be given to members of the Audit and Performance Committee and other persons who should attend except when it is impossible to do so when a shorter period of notice may be agreed with the members of the Audit and Performance Committee.

## **AGENDA OF MEETINGS**

56. At least fourteen days prior to each meeting an agenda of items to be discussed at the meeting shall be prepared and distributed to all members of the Audit and Performance Committee by the Internal Auditor, who acts as secretary of the Audit and Performance Committee, in consultation with the Chairperson.
57. Any person who is going to attend a meeting may, not less than seven days prior to the meeting, request the secretary of the Audit and Performance Committee to add such items, as he/she deems necessary to the agenda.

## **MINUTES OF MEETINGS**

58. Minutes must be kept of Audit and Performance Committee meetings, which conform to the requirements of committees of a municipal council, and the minutes must be made available to all members within 14 days from the date of the meeting.

## **REMUNERATION**

59. Audit and Performance Committee members will be remunerated according to a scale approved by National Treasury and Council from time to time;

59.1 The Chairperson separately and other members equally for each committee meeting according to Treasury tariff,

59.2 Preparation time as determined by Council,

59.3 Travel claims in accordance with Council tariffs.

59.4 Section 14(2) (i) of the Municipal Planning and Performance Management

## **CONFIDENTIALITY**

60. A member of the Audit and Performance Committee shall maintain strict confidentiality in respect of any information of a confidential nature to which he/she may become privy at meetings of the Audit Committee, and shall only disclose such information as may become necessary or required for the proper performance of his/her duties and functions.

## **CONCLUSION**

61. West Coast District Municipality's mission is to provide quality, accessible and affordable basic services and creating an environment that stimulates a sustainable socio economic development and caring society through local democratic culture and practice. Council trusts that the Audit and Performance Committee will assist in this regard by helping Council to maintain internal control, risk management, accurate financial reporting and corporate governance principles.

\_\_\_\_\_  
Name: Municipal Manager

\_\_\_\_\_  
Name: Mayor

\_\_\_\_\_  
Name: Committee Chairperson