

CITY OF MATLOSANA LOCAL MUNICIPALITY



**FINAL AUDIT COMMITTEE CHARTER
PERIOD - 2016/2017**

	TABLE OF CONTENTS	PAGES
1	Introduction	3
2	Purpose	3
3	Expectations of the Council regarding Audit Committee	3
4	Role of Audit Committee	3-4
5	Authority and Power of Audit Committee	4
6	Composition of the Audit Committee	4
7	Vacancy	4
8	Access to Information	5
9	Reporting responsibilities	5
10	Continuous Development of the Audit Committee	5
11	Evaluation of the Audit Committee	5
12	Internal Audit	5
13	External Audit	5
14	Communication	6
15	Administrative procedures	6
16	Meetings	6
17	Agenda of Meetings	6
18	Minutes of the Meeting	6
19	Remuneration	6
20	Confidentiality	7
21	Review of the Audit Charter	9
22	Attendance by Officials and other parties	9

1. INTRODUCTION

The Audit Committee Charter sets out the specific responsibilities delegated by the members of the Municipal Council and the Municipal Manager to the Audit Committee and details the manner in which the Audit Committee will operate.

Section 165 and 166 Of Municipal Finance Management Act (Act 56 of 2003) and Chapter 3 of Treasury regulations, state that each municipality must establish an Internal Audit function and Audit Committee.

2. PURPOSE

To assist the Municipal Council and Accounting Officer in fulfilling their oversight responsibilities.

This Charter sets out the specific responsibilities delegated by the Council to the Audit Committee and spells out the manner in which the Audit Committee will operate.

3. EXPECTATIONS OF COUNCIL PERTAINING TO AUDIT COMMITTEE.

The Audit Committee as an oversight body is expected through Internal Audit Activity to provide reasonable assurance that the implementation of risk management, corporate governance principles, accurate financial reporting, control and financial systems are essential for the effective discharge of management's responsibilities. Council has the expectation that the Audit Committee will add value to Council that strive towards ensuring that the best possible financial, administrative and technical systems of internal control are in place to support management in fulfilling their objectives and goals.

4. ROLE OF THE AUDIT COMMITTEE

In terms of Section 166 of the MFMA (2) An audit committee is an independent advisory body which must—

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to—

- (i) internal financial control and internal audits;
- (ii) risk management;
- (iii) accounting policies;
- (iv) the adequacy, reliability and accuracy of financial reporting and information;
- (v) performance management;
- (vi) effective governance;
- (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- (viii) performance evaluation; and
- (ix) any other issues referred to it by the municipality;

- (b) review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
 - (c) respond to the council on any issues raised by the Auditor-General in the audit report;
 - (d) carry out such investigations into the financial affairs of the municipality as the council of the municipality, may request; and
 - (e) perform such other functions as may be prescribed.
- (3) In performing its functions, an audit committee—
- (a) has access to the financial records and other relevant information of the municipality; and
 - (b) must liaise with—
 - (i) the internal audit unit of the municipality; and
 - (ii) the person designated by the Auditor-General to audit the financial statements of the municipality.

5. AUTHORITY AND POWERS OF AUDIT COMMITTEE.

- The Audit Committee can recommend to Council to conduct or authorize investigations into any matters within its scope of responsibility.
- Resolve any disagreements between management and the Internal Audit regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the Municipal's external audit firm.
- Retain independent Counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests--or external parties.
- Meet with municipal staff, external auditors, or outside counsel, as necessary.
- Adequate resources will be made available to the Audit Committee to perform its function.
- The Committee will not perform any management functions or any management responsibilities.

6. COMPOSITION OF AUDIT COMMITTEE

- In terms Section 166 (4) (a) of the MFMA, Audit Committee must consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality.
- No Councillor may be a member of the audit committee.

7. VACANCY

In the event of a vacancy occurring amongst the members of the Audit Committee, the municipality must fill that vacancy for the un-expired portion of the vacating member's term of appointment within two months.

8. ACCESS TO INFORMATION

Section 166 (3) of the Municipal Finance Management Act provides that, in performing its functions, an Audit Committee: -

(a) Has access to the financial records and other relevant information of the municipality.

(b) Must liaise with-

(i) The Internal Audit Unit of the municipality and

(ii) The person designated by the Auditor-General to audit the financial statements of the municipality.

9. REPORTING RESPONSIBILITIES

- The Audit Committee reports directly to the Council.
- The Audit Committee should submit a written report quarterly to Council.
- The Audit Committee shall, at the end of each financial year submit an annual report to Council,

10. CONTINUOUS DEVELOPMENT OF THE AUDIT COMMITTEE

Council will make provision for the continuous up skilling of the audit committee members.

11. EVALUATION OF THE AUDIT COMMITTEE

Council will evaluate the performance of the Audit Committee on an annual basis.

12. INTERNAL AUDIT

- Review with Management and the Chief Audit Executive, the Internal Audit and Audit Committee Charters, plans, activities, staffing, and organizational structure of the internal audit function.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed in-committee.

13. EXTERNAL AUDIT

On a regular basis, meet separately with the external auditors to discuss any matters that the Audit Committee or Auditors believe should be discussed in-committee.

14. COMMUNICATION

- There should be a direct line of communication between the Municipal Manager, Audit Committee, the Internal Audit section, the office of the Auditor-General and Council.
- The Internal Audit Activity must submit quarterly reports to the Audit Committee pertaining to progress against the Internal Audit Plan and any adhoc assignments submitted to their attention.
- These reports must be part of the agenda of the Audit Committee.

15. ADMINISTRATIVE PROCEDURES

- The Accounting Officer's is responsible for all administrative matters pertaining to the Audit Committee.

16. MEETINGS

- In terms of section 166. (4) (b) of the Municipal Finance Management Act, Audit Committee must meet as often as required to perform its function, but at least four times a year.
- A quorum of 50% plus one of members will be needed to constitute a meeting.
- Notice in writing shall be given to all members of the Committee and other relevant parties of each meeting to be held at least a fourteen days prior to the date on which such meetings is to be held.
- Apology should be in writing and should be submitted seven days before the meeting.

17. AGENDA OF MEETINGS

At least 7 days prior to each meeting an agenda of items and the audit pack to be discussed at the meeting shall be prepared and distributed to all members of the audit committee.

18. MINUTES OF MEETINGS

Audit Committee shall keep the minutes of its meetings, which conform to the requirements of committees of a Municipal Council, but the minutes must be made available to all attendees at least 14 days after each sitting.

19. REMUNERATION

The sitting allowance shall be paid according to the tariff as per National Treasury as amended from time to time. The travelling allowance will be paid according to the **AA rates** for kilometers travelled to and from the meeting.

20. CONFIDENTIALITY

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

21. REVIEW OF CHARTER

This charter shall be review on an annual basis.

22. ATTENDANCE BY OFFICIALS AND OTHER PARTIES

The following should attend the Audit Committee meetings:-

- Accounting Officer
- Chief Financial Officer
- Chief Audit Executive

PREPARED BY




MS. PT MOLELEKWA
ACTING CHIEF AUDIT EXECUTIVE

30/06/16

DATE

RECOMMENDED ✓	NOT RECOMMENDED
---------------	-----------------



MR. S.G. MABUDA
ACTING MUNICIPAL MANAGER

30/06/2016

DATE

SUPPORTED	NOT SUPPORTED
-----------	---------------



MR. M.I. MOTALA

AUDIT COMMITTEE (CHAIRPERSON)

30/6/2016
DATE

APPROVED	NOT APPROVED
----------	--------------



MR S. RAMAGAGA

ADMINISTRATOR

30/06/2016
DATE

APPROVED	NOT APPROVED
----------	--------------

MS. LM. KORTJAS

SPEAKER OF COUNCIL

DATE