



*on the Go for Growth*

**AUDIT COMMITTEE CHARTER**  
**FY 2015/16**

## **1. PURPOSE**

To assist council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the municipality's process for monitoring compliance with laws and regulations and the code of conduct.

## **2. AUTHORITY**

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the Auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Obtain outside legal or other professional advice.
- Seek any information it requires from employees, all of whom are directed to cooperate with the committee's requests or external parties.
- Meet with municipality officials, external auditors, or outside counsel, as necessary.

## **3. COMPOSITION**

- The audit committee will consist of at least three and no more than six members. The council or its nominating committee will appoint committee members and the committee chair.
- Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert," to assist and advise the committee in the execution of its duties and responsibilities.
- Each committee member should be capable of making a valuable contribution to the activities of the committee. Qualities that each member should possess include:
  - Understanding the main business, products and services of Waterberg District Municipality.
  - Inquisitiveness and independent judgment
  - Ability to offer new or different perspectives and constructive suggestions.
- The duration of membership of the Committee shall be three (3) years.

## **4. MEETINGS**

- The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- The Council or any member thereof, including members of the committee, the external auditors, and the head of internal audit may call further meetings after consultation with the chairperson the committee.
- Meeting agendas will be prepared and provided **seven** days before the meeting to members, together with sufficient background information to enable Committee members to appropriately prepare for the meeting.

- All committee members are expected to attend each meeting in person or via teleconference or videoconference.
- The quorum of the transaction business shall be 50% plus 1 member of the Committee.
- S56 managers and head of internal audit shall be in attendance at all meetings of the Committee and shall have unrestricted access to the Chairperson or any other member of the Committee as is required in relation to any matter falling within the responsibilities of the Committee.
- The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.
- Committee members shall be independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgment as Committee members.

#### **4.1. Proceedings**

- Unless varied by these terms of reference, meetings and proceedings of the committee will be governed by the policies and procedures of the council.
- The Chief Internal Auditor shall be the secretary of the Committee or such other person as nominated by the council.
- The committee secretary shall take minutes of meetings. These shall be reviewed and approved by the members of the committee.

#### **4.2. Administration**

- The Chairperson of the Audit Committee shall approve the agenda of the Committee in consultation with the Municipal Manager and the Chief Internal Auditor.
- The agenda and the minutes of the previous meeting must be distributed to all Members of the Committee at least seven working days prior to the date of the meeting.
- The Secretary should prepare the draft minutes of the Committee within seven days of the meeting, and distribute the draft copies of the minutes to the Chairperson of the Audit Committee for review.
- Copies of the minutes must be distributed to all attendees and other relevant parties within two weeks of the date of the meeting.

## **5. RESPONSIBILITIES**

The committee will carry out the following responsibilities:

### **5.1. Financial Statements**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

### **5.2. Internal Control**

- Review the effectiveness of the municipality's risk management & related policies internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review the controls designed to ensure that assets are safeguarded.
- Monitor the implementation of corrective measures over the weaknesses identified in the internal control by the Internal & External Auditor.

### **5.3. Internal Audit**

- Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- The committee shall on a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.

#### **5.4. External Auditors**

- Review the external Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the Auditors and the municipality, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

#### **5.5 Performance Management**

- The Audit Committee shall serve as a performance Audit Committee and report to council on all matters relating to performance management.

#### **5.6. Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies and any Auditor observations.
- Review the process for communicating the code of conduct to municipality personnel and for monitoring compliance therewith.
- Obtain regular updates from management and legal counsel regarding compliance matters.

#### **5.7. Reporting Responsibilities**

- Quarterly reports to the council about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Councillors.
- Report annually to the stakeholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports that relate to committee responsibilities.

**5.8. Fraud prevention and misconduct**

- The Audit Committee shall be informed of any significant cases of conflict of interest, misconduct or/and fraud by employees and Council Members and steps taken by management to rectify the situation.
- The Audit Committee should develop fraud prevention policy and implement the mechanisms to report fraud and corruption related activities, and the Committee should also ensure that all allegations reported are dealt with appropriately.
- Audit Committee shall notify the Council when an Accounting Officer has been implicated of fraud, corruption and gross negligence.

**5.9. Remuneration**

- Committee members, not holding executive office in the organisation, shall be remunerated for their services as agreed by the Council in compliance with National Treasury Regulation.

**5.10. Other Responsibilities**

- Perform other activities related to this charter as requested by the council.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting council approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

**6. Evaluation of the Audit Committee**

- It is the responsibility of the Council to evaluate the constitution, period of membership and the effectiveness of the Audit Committee to make any recommendations to improve such effectiveness.

**REVIEWED BY DATE**

**17 July 2015**

**Acknowledged by: Municipal Manager**

  
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**Signature**

28/08/2015  
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**Date**

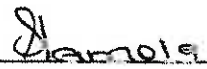
**Acknowledged by: Audit Committee Chairperson**

  
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**Signature**

28/08/2015  
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**Date**

**Adopted by Council at its meeting held on the 28 August 2015**

Signed at Wodonga WDM on 28/08/2015

  
\_\_\_\_\_  
**WDM Speaker**

28/08/2015  
\_\_\_\_\_  
**Date**

**Council Resolution: A270/2015**