



BLOUBERG MUNICIPALITY



AUDIT COMMITTEE CHARTER



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1. Introduction

Management continuously strives to adopt and implement best practice in relation to management practices and corporate governance. Consequently, the Code of Corporate Practice and Conduct published in King II Report requires management to publicly confirm that they have reviewed the effectiveness of the internal control of their organization. The implementation of control and information systems is essential to the effective discharge of the management's responsibilities.

Blouberg Municipality has established an Internal Audit Function in accordance with section 165 of the Municipal Finance Management Act no 56 of 2003 (hereinafter referred to as MFMA) which requires that each Municipality and Municipal entity must have an internal audit unit. Section 166 of the MFMA requires that each Municipality and Municipal entity must have an audit committee.

2. Purpose

The purpose of this charter is to constitute the Blouberg Municipality Audit Committee and to provide an understanding of the committee's role, responsibilities, organization, status and authority within the Municipality.

3. Organization

3.1. Structure

There shall be single Audit Committee for Blouberg Municipality.

3.2. Appointment and Remuneration

Members of an Audit committee who have been appointed from outside the public service pursuant to section 166 (4)(a) of the MFMA must have appropriate experience, be appointed on contract and be remunerated in accordance with paragraph 20.2.2 of the Treasury regulations. Should it be deemed necessary, such members may be remunerated taking into account tariffs determined by the South African Institute of Chartered Accountants in consultation with Auditor General as provided for in paragraph 20.2.3.

4. Membership

The committee will comprise of the following five (5) persons:

- 4.1. Minimum of three (3) members.
- 4.2. Majority of the members of the committee may not be councilors or employees of the municipality.
- 4.3. Must include a person with expertise in performance management.
- 4.4. The chairperson must be designated by the Municipal and may not be a councilor or an employee of the municipality.
- 4.5. Chief Audit Executive shall serve as a secretariat for the Audit committee.



5. Meetings

The audit committee shall hold at least four (4) meetings during a financial year. Special meetings called by the chairperson of the audit committee may be convened as and when required.

- 5.1. The quorum will be three voting members for all the audit committee meetings. In the event that a meeting is postponed for the second time due to lack of quorum, the audit committee chairperson may co opt another committee member from other advisory committees. E.g. Risk Committee.
- 5.2. An agenda must, under the direction of the chairperson, be prepared for each meeting and together with the relevant discussion papers be circulated to each audit committee member at least ten (10) working day before the meeting to enable adequate opportunity for formal and informal discussions.
- 5.3. The proceedings of all audit committee meetings will be documented in the minutes.
- 5.4. If a chairperson is absent from a specific meeting, the audit committee members shall elect from the members present a member to act as a chairperson of that meeting.
- 5.5. The audit committee may invite any person(s) it deems necessary to attend an audit committee meeting, including the Municipal Manager and the Chief Financial Officer.

6. Authority

The Blouberg Municipality audit committee is authorized with the scope of their responsibilities to:

- 6.1. Seek any information required from any employee (and all employees are directed to cooperate with any request made by the audit committee) and or external parties.
- 6.2. Have unrestricted access to all employees of the municipality, internal and external auditors, professional consultants, books of accounts, records and any other source of relevant information that may be required for the purpose of their duties and responsibilities.
- 6.3. Obtain outside the legal or other professional advise, but will notify the Municipal Manager in respect of the municipality and the Internal Audit of such actions.
- 6.4. At least annually, formally review the continued relevance of their charter, to ensure it is kept in line with audit committee standards and best practices.

7. Roles and responsibilities of the audit committee on:

Internal Audit Function

- 7.1. The audit committee should ensure that Blouberg Municipality Internal audit performs its responsibilities effectively and efficiently:



- 7.2. Annually reviewing and approving the Internal Audit Charter to ensure adherence to best practices.
- 7.3. Reviewing and concurring with appointment and removal of the Chief Audit Executive.
- 7.4. Approving the Internal Audit strategic and annual operational plans and reviewing performance against them.
- 7.5. Approving the three year rolling internal audit coverage plan and annual audit plan and reviewing performance against them.
- 7.6. Considering the objectives and scope of any additional work undertaken by the Internal Auditors to ensure there are no conflicts of interests and that independence is not compromised.
- 7.7. Representing the concern of Internal Audit to the executive Authority in terms of the MFMA through the Chairperson of the audit committee.
- 7.8. Reviewing the plans and budgets pertaining to the internal audit function to ensure that the plans address the high risk areas and the adequate and appropriate resources are available.
- 7.9. Meeting separately with the Chief Audit Executive to discuss any matters that the committee believes should be discussed privately.
- 7.10. Ensuring that significant findings and recommendations by Internal are received and discussed on timely basis.
- 7.11. Ensuring that management responds timeously to recommendations by Internal Audit.
- 7.12. Identifying and directing any special audit project or investigations deemed necessary.
- 7.13. Reviewing any significant disagreement between management and the internal audit.
- 7.14. Reviewing the results of quality assurance reviews on internal audit work and coordinating internal audit work with external audit work performed by Auditor General.
- 7.15. The Chief Audit executive shall inform the audit committee of the results of audits conducted in the municipality and recommendations made. The information furnished and comprehensiveness of these reports may differ from that submitted to the Municipal Manager or management with details provided.

Auditor General

The audit committee should meet with the Auditor General to,

- 7.16. Ensure that there are no restrictions or limitations placed on the Auditor General, review the plan and scope of the external audit with regard to critical risk areas and the sufficiency of audit coverage.
- 7.17. Interact separately with the Auditor General to discuss any matters that the committee believes should be discussed privately.
- 7.18. Ensure that significant findings and recommendations made by Auditor General are received and discussed on timely basis.



- 7.19. Consider material unresolved accounting and auditing problems and ensure that management responds to queries and recommendations by the Auditor General and
- 7.20. Ensure direct access by the Audit General to Audit Committee Chairperson.

Management

- 7.21. The audit committee should assist the Municipal Manager in carrying out their responsibilities as required by MFMA and Treasury Regulations as they relate to the municipality as they relate to:
 - Financial, management and other reporting practices
 - Internal control, governance and management of risks
 - Compliance with laws, regulations and ethics
- 7.22. The Municipal Manager must facilities a risk assessment to determine material risks to which the municipality is exposed and evaluates the strategy for managing those risks.
- 7.23. The Municipal Manager should ensure that the municipality implement resolutions of the SCOPA and portfolio committee(if applicable)
- 7.24. The audit committee should review the implementation of SCOPA resolutions.

Annual Financial Statements

- 7.25. The audit committee is responsible to review the annual financial statements of the municipality and its annual report. The objective of the review is to ensure that the disclosure is adequate and it fair presentation is achieved, including contingent liabilities. Such review would entail the following:
- 7.26. Evaluating the annual financial statements of the municipality for reasonability and accuracy.
- 7.27. Considering with the Internal and External auditors any fraud, illegal acts, irregularities, deficiencies in internal control or other similar issues,
- 7.28. Reviewing significant accounting and reporting issues and understand their impact on the annual financial statements,
- 7.29. Reviewing any other reports to be issued with/or attached to the annual financial statements and consider whether the information is understandable and consistent with the member's knowledge about the municipality and its operations,
- 7.30. Reviewing significant transactions paying particular focus on complex, unusual transactions and or transactions that are not normal part of the municipality's business,
- 7.31. Obtaining explanations for all significant variances in the financial statements between the current and prior financial year budgets and actual,
- 7.32. Reviewing each department's accounting policies or major changes in policies which management should consider making or have already implemented,
- 7.33. Examining the effect of changes in statements of Generally Recognized Accounting Practice,



- 7.34. Examining compliance with accounting standards and other statutory requirements,
- 7.35. Reviewing the adequacy of doubtful debts and stock provisions,
- 7.36. Considering the Impact of all outstanding litigations, contingencies and claims and how these matters are reflected in the municipality financial statements and
- 7.37. Reviewing the legal and related department compliance policies and programmes.

8. Governance

- 8.1. The audit committee is responsible for providing assurance that the Municipality is complying with pertinent laws and regulations is conducting its affairs ethically and is maintaining effective controls to detect employee conflict of interest and fraud. Specifically the audit committee is *inter alia* responsibilities for:
- 8.2. Reviewing municipality compliance with laws and regulations including MFMA, Treasury Regulations, Ethics, conflict of interests, and the investigation of misconduct and fraud.
- 8.3. Reviewing current/pending litigation of regulatory proceedings that may have a bearing on governance.
- 8.4. Reviewing significant cases of employee conflict of interest, misconduct or fraud.
- 8.5. Requiring the Internal Auditors to report annually in writing, on the scope of the reviews of governance and any significant findings.
- 8.6. Requesting and considering reports and presentations by Executive Management an measures implemented t ensure compliance with statutes, internal policies, procedures and controls and reports applied to the day to day management of the municipality.

9. Reporting responsibilities

- 9.1. The audit committee reports to add are responsible to the municipal council.
- 9.2. The chairperson of the audit shall as deemed appropriate by the relevant parties meet the Municipal Manager after each meeting of the audit committee.
- 9.3. The audit committee should report to the Municipal council and or Mayor any matter identified during the course of carrying out its duties that it considers significant and appropriate.
- 9.4. Should a report from the Internal Audit (or any other source) to the audit committee implicate the Municipal Manager in fraud, corruption or gross negligence the chairperson of the audit committee must promptly report this to the relevant Executive Authority(Council or Mayor)
- 9.5. The audit committee shall report on the following which must be included in the annual report of the municipality:
 - 9.5.1. The effectiveness of the internal controls.
 - 9.5.2. The effectiveness of the risk management.
 - 9.5.3. The quality of monthly and quarterly in year management reports and other progress reports submitted in terms of the Division of Revenue Act
 - 9.5.4. The audit committee's own evaluation of the annual financial statements.
 - 9.5.5. A statement that describes the committee's composition and responsibilities.



9.5.6. A statement on the number of meetings held during the year and the attendance record at such meetings.

10. Relationship with stakeholders

The Blouberg Municipality audit committee has non – executive status in an advisory capacity to the Municipal Manager. They shall not perform any management functions or assume any management responsibilities and shall have an objective independent role, operating as an overseer and making recommendations to the Municipal Manager. The Municipal Manager retains responsibility for implementing such recommendations.

The audit committee executes their functions through close liaison and communication with management, Internal Audit and the Auditor General. The audit committee provides one of the channels for communication between management, internal and external auditors.

11. Review

This charter shall be subject to an annual review by the audit committee and approval by Municipal Council.