

FINALIZATION OF COUNCIL DECISION

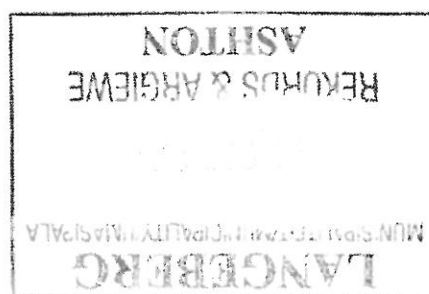
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21 Oktober 2014

AUDIT COMMITTEE - APPROVAL OF REVISED CHARTER (5/14/R) (INTERNAL AUDITOR)

<u>FINALIZATION</u>	<u>INFORMATION</u>
A LATEGAN	SA MOKWENI

Collab nr:	
File nr:	514/R
Action:	
Cc:	



AUDIT COMMITTEE - APPROVAL OF REVISED CHARTER (5/14/R) (INTERNAL AUDITOR)

Purpose of report

A revised Audit Committee Charter is submitted to Council for approval.

Background

The original Audit Committee Charter was approved during 2007.

At an Audit Committee meeting held on 6 December 2011 a revised Audit Committee Charter was approved by the Audit Committee and the Municipal Manager as the Accounting Officer. The Charter was also reviewed on 3 April 2013.

In terms of the terms of reference of the Charter, the Charter must be reviewed at least annually to ensure its relevance. At a meeting of the Audit Committee held on 26 March 2014 the Charter was discussed and it was decided to amend the Charter by also including a paragraph pertaining to the dismissal of Audit Committee members. It was also decided to delete the reference made with respect to the concurrence with any appointment and termination of the services of the Chief Audit Executive.

The revised Audit Committee Charter is submitted for approval by Council.

The revised Charter is attached on Pg 166 to Pg 169 of the Annexures of the Executive Mayoral Committee Meeting of 14 October 2014.

Recommendation

That the reviewed / updated Audit Committee Charter be approved by Council.

Dat die hersiene / bygewerkte Oudit Komitee Handves deur die Raad goedgekeur word.

This item served before the Municipal Public Accounts Committee (MPAC) on 25 September 2014
Die item het voor die Munisipale Openbare Rekeninge Komitee (MORK) gedien op 25 September 2014
Recommendation / Aanbeveling

That the reviewed / updated Audit Committee Charter be approved by Council.

Dat die hersiene / bygewerkte Oudit Komitee Handves deur die Raad goedgekeur word.

This item served before the Executive Mayoral Committee on 14 October 2014
Hierdie item het voor die Uitvoerende Burgemeesterskomitee gedien op 14 Oktober 2014
Aanbeveling / Recommendation

That the reviewed / updated Audit Committee Charter be approved by Council.

Dat die hersiene / bygewerkte Oudit Komitee Handves deur die Raad goedgekeur word

Hierdie verslag het voor die Raad gedien op 21 Oktober 2014

This item served before Council on 21 October 2014

Eenparig Besluit / Unanimously Resolved

That the reviewed / updated Audit Committee Charter be approved by Council.

Dat die hersiene / bygewerkte Oudit Komitee Handves deur die Raad goedgekeur word

LANGEBERG

MUNICIPALITEIT MUNICIPALITY MASIPALA

AUDIT COMMITTEE CHARTER

Purpose

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

Authority

The Audit Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to, but not limited to the following:

- Resolve any disagreements between management and the auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services;
- Retain independent counsel, accountants, or others in consultation with the Accounting Officer, to advise the committee or assist in the conduct of an investigation;
- Conduct enquiries and access municipal records and personnel when required;
- Request any relevant person to attend any of its meetings and
- Meet with management, external auditors, or council, as necessary.

Composition

The Audit Committee will consist of at least three members with appropriate experience of which the majority will not be employees of the entity to be served. The committee members and the chairperson of the Audit Committee must be appointed by Council. No Councillor may be a member of the Audit Committee. All appointed members should enter into a contract with the Municipality.

Dismissal of member

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 Audit Committee. Reasons for dismissal amongst other would normally be detailed in the letter of appointment and contract agreement, such as:

- where an on-going conflict of interest exists;
- where a member has not performed to expectations

The official dismissal processes as they relate to the municipality should be adhered to by the Accounting Officer and Municipal Council when an Audit Committee member is being dismissed.

Membership and Independence

The Audit Committee Chairperson and members should be independent of the Municipality. The Audit Committee should be safeguarded from undue influence in exercising its responsibilities. All Audit Committee members should declare private and business interest in every meeting.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and distributed to all members after the meeting.

- The majority of 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.
- 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.

Remuneration

Remuneration will only be applicable outside the public sector. No remuneration for participating in audit committees will be payable to officials employed at national, provincial and local government, its agencies or other entities regarded as falling within the definition of an organ of state, except for out of pocket expenses which may be reimbursed. The Chairperson of the Audit Committee shall be paid additional remuneration for such attendance and for services related to the Audit Committee. Remuneration shall be determined in line with guidelines issued by National Treasury.

Responsibilities

The committee will carry out amongst others (but are not limited to) the following responsibilities.

Financial Statements

- Review the annual financial statements and consider whether they are fairly presented, complete and reflect appropriate accounting principles;
- Review other sections of the annual reports and 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 the standards or legislation; and
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

Control Environment

- Consider the effectiveness of the organisation's system of internal control, including information technology security, governance and control;
- Establish whether relevant policies, procedures are in place and that these are adequate, effective and regularly updated;
- Assess steps taken by management to encourage ethical and lawful behaviour, financial discipline and
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendation, together with management's responses.

Internal Audit

- Review with management and the Chief Audit Executive the charter, strategic and operational plans, internal audit activities, staffing, and organisational structure of the Internal Audit Activity;
- Ensure there are no unjustified restrictions or limitations placed on the Chief Audit Executive;
- Review the effectiveness of Internal Audit Activity, including compliance with the IIA's International Standards for the Professional Practice of Internal Auditing;
- On a regular basis, meet separately with the CAE to discuss any matters that the committee or internal audit believes should be discussed privately; and
- Internal Audit reports functionally to the Audit Committee and administratively to the Accounting Officer.
- Evaluate the performance of the Internal Audit Activity in terms of the agreed goals and objectives as captured in the audit plan.
- Conduct an annual high-level review of Internal Audit to ascertain whether the Internal Audit Activity complies with the International Standards.

External Audit

- Review the external auditors' proposed audit scope and approach, plan and fees, including coordination of audit effort with internal audit; and
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

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;
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Risk Management

- Provide an independent and objective view of the effectiveness of the municipality's risk management.
- Provide feedback to the Accounting Officer and Council on the adequacy of risk management in the Municipality.

Performance Management

- Review quarterly performance reports submitted by Internal Audit
- Review and comment on the Municipality's performance management system and make recommendations for its improvements
- Review compliance with in-year reporting requirements

Reporting Responsibilities

- Regularly report to the AO about committee activities, issues and related recommendations;
- Provide an open avenue of communication between Internal Audit Activity, the external auditors, and management;
- Review any other reports that the entity issues relating to committee responsibilities;
- Perform other activities related to this charter are requested by the Accounting Officer;

- Institute and oversee special investigations as needed;
- Review and assess the adequacy of the committee charter annually, requesting Accounting Officer's 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, and
- The Chairperson of the Audit Committee will report on a quarterly basis to Council on the operations of the Internal Audit Unit and the Audit Committee.
- Have access to municipal records containing information that is needed to perform its duties or exercise its powers.

Annual Report

The Annual Report must inter alia include any recommendations by the Audit Committee regarding;

- The number of meetings attended by the Audit Committee members;
- Describe the functions performed by the Audit Committee
- The effectiveness of the internal control system;
- The risk areas of the entity's operations covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy of financial information provided by management;
- Accounting and auditing concerns identified as a result of internal and external audits;
- The entity's compliance with legal and regulatory provisions;
- The effectiveness and activities of Internal Audit Activity.
- Submit and Report to council on any matter which the Audit Committee considers necessary.

Assessment

The Audit Committee should assess its performance and achievements against its charter on an annual basis. The findings of the self-assessment should be presented by the Chairperson to the Accounting Officer and Council. Annually Council should assess the Audit Committee's performance.

Review Period

This charter will be reviewed on an annual basis and submitted to the Accounting Officer for approval and acceptance. The charter should be published on the Municipality's website.



Accepted by Audit Committee Chairperson

Date ...19/11/2014...

Approved by Accounting Officer



Date ...17/01/2014...