GREATER TAUNG
LOCAL MUNICIPALITY

EXCELLENCE THROUGH COOPERATION

Tel: Administrative Office (053) 994 9400
Fax:Administrative Office (053) 994 3917
Tel: Political Office (053) 994 9600
Fax:Political Office (053) 994 9611
Website: www.gtlm.gov.za

Postal Address:
Private Bag X1048,
Taung Station, 8580

Physical Address:
Station Street,
Taung, 8580

# GREATER TAUNG LOCAL MUNICIPALITY

## AUDIT & PERFORMANCE COMMITTEE

## CHARTER

## 2024/2025

1. **AUDIT AND PERFORMANCE COMMITTEE**

The Audit & Performance Committee Charter ("APC") for Greater Taung Local Municipality ("GTLM") comprises of the following:

**1.1 Overview**

- The APC operates as a committee of the council and performs the responsibilities assigned to it by sections 165 and 165 of the Municipal Finance Management Act ("MFMA"), and the corporate governance responsibilities delegated to it under its Charter by the GTLM Council.
- This document is the written terms of reference approved by the GTLM Council which outlines the mandate of the APC. It becomes the policy of the APC which then informs the contracts of the APC members.

**1.2 Objectives**

The objectives of the APC are as follows:

- To evaluate the effective, efficient, and transparent systems of financial management, risk management and internal control are maintained by council, which contribute to the efficient and effective utilisation of resources, safeguarding of assets and the accomplishment of established goals for operations or programs.
- To promote the efficiency and effectiveness of accounting and management information systems.
- To create a distinct and clear communication channel between the council, management, external auditors, and the internal audit unit.
- To inform the council regarding material matters which need to be addressed when considering the preparation and discussion of the financial statements.
- To monitor the effectiveness of the internal audit function.
- To enhance the objectivity and credibility of reporting to the previously mentioned stakeholders within GTLM.

### 1.3 Authority and Independence

The committee shall have the authority to perform its functions, as stipulated in this charter, and to obtain any information and advice, from within or outside the municipality, to perform its functions as legislated. Appropriate resources will be made available to the APC to perform its functions as agreed in its charter.

The APC may:

- Communicate with the council, Mayor, municipal manager (including his or her reportees) or the internal and external auditors of GTLM.
- Conduct or authorise investigations into any matters within its scope of responsibility.
- Access information, records, and personnel as it required to fulfilling their responsibilities.
- Request the attendance of any executive or employee, at APC meetings. Conduct meetings with the external auditors (Auditor-General) and internal auditors as necessary.
- Obtain advice from external parties as necessary.
- Resolve any disagreements between management and the auditors regarding financial reporting; and
- Play an oversight role in the awarding of audit and non-audit services. The APC should be independent and safeguarded from undue influence in exercising its responsibilities in an objective manner.

To enhance the APC functioning, the following is required:

- The APC chairperson and members should be independent of the municipality.
- The APC chairperson and members should not be biased but exhibit an independence of mental attitude during deliberations.
- All committee members should declare private and business interests at each meeting; and
- Members should not carry out business with the municipality.

## 1.4 Organisational Arrangement

### 1.4.1 Appointment & Composition of Members

Section 166(5) of the MFMA requires that the members of an audit committee must be appointed by the council of the municipality. One of the members, who are not in the employ of the municipality, must be appointed as the chairperson of the APC. The committee will comprise of at least four (4) members with the appropriate skills and experience to enable the committee to discharge the responsibilities set out in section 166(2) of the MFMA, whom may not be employees of the municipality. In addition, no councillor may be a member of the committee. A quorum of any meeting will be at least half of the members of the committee.

### 1.4.2 Induction of Members of APC

A formal process of induction must be facilitated by the Head of Internal Audit in consultation with the Accounting Officer. During the induction of members, the roles and responsibilities of the APC must be clarified. The induction process should entail sufficient briefings and information on their roles, responsibilities, accountability, and management's expectations. Induction of members can also be facilitated by District Municipality, Provincial or National Treasury, upon request.

The information to be provided to new members should include:

- GTLM's governance and operational structures and how the APC operates within these structures.
- Copy of the APC charter, including any policies, recent APC minutes, AGSA Management Letter and Report, audit opinion, which includes details of outstanding issues.
- Council resolutions and recommendations presented to GTLM's council.
- Copies of relevant legislation.

- Copies of GTLM's IDP, Annual Report, Annual Financial Statements, Budget, SDBIP, in-year reports, code of conduct, performance agreements, risk register and risk management plans.
- Information from management and the internal audit unit on the risk profile, status of internal controls and system of delegation; and
- A copy of the internal audit charter and annual work plans, among others.
- Copies of Municipal Public Accounts Committee ("MPAC") reports and resolutions

#### 1.4.3 Qualities of Members

One of the elected APC members should be appointed as the chairperson, after the following factors have been considered:

- Has a good standing ability to lead discussions.
- Creates vision and provides direction at meetings.
- Builds municipal capabilities by guiding management based on expert knowledge and skills.
- Promotes and achieve quality outcomes at meetings.
- Has the ability to speedily and effectively advise GTLM's council of any impeding non-compliance with the legislative framework.
- Has the ability to encourage other members to participate in APC meetings; and
- Conduct meetings in a manner that demonstrates a desire to establish effective communication with all stakeholders.

In determining suitable candidates for the APC and maintaining a balanced composition, Council should seek to appoint candidates that can:

- Perform the role as advisor to management.
- Communicate effectively to management.
- Carefully review information received and obtains clarification from management as and when appropriate.

- Raise relevant questions, evaluate responses, and follow up on any matter that is unclear.
- Conduct responsibilities in the context of the municipality's strategic objectives and overall corporate governance of GTLM's council.
- Act independently and be proactive in advising the accounting officer regarding issues that require further management attention.
- Encourage openness and transparency.
- Build relations with management.
- Have a professional approach to performing duties, including commitment of time and effort; and
- Each committee member must be independent and appropriately skilled.

1.4.4 Skills & Experience

Members should be selected from different areas of expertise to enhance the APC's overall knowledge and the ability to discharge its obligations and provide appropriate recommendations to GTLM's council.

The appointed members should collectively possess the following skills and experience:

- Private and public sector experience.
- An understanding of service delivery priorities.
- Good governance and/or financial management experience.
- An understanding of the role of GTLM's council and councilors.
- Familiarity with risk management practices.
- An understanding of internal controls.
- An understanding of major accounting practices and frameworks (ISO 9001) and public sector reporting requirements.
- Familiarity with legislation applicable to municipalities.
- And understanding of the roles and responsibilities of internal and external auditors.

- An understanding of the treatment of allegations and investigations.
- An understanding of the performance management system; and
- At least one member must have expertise in performance management. A member of the APC may not serve on more than three audit committees at the same time.
- APC members should declare every financial year the number of committees they are serving in.

1.4.5 Term of Office

The members of the APC are appointed for periods not exceeding three (3) years with the option of being reappointed for a further term based on performance. Reappointment is not guaranteed.

The Chairperson of the APC should be appointed for a minimum of three years. Members of the APC should not be contracted continuously for a period exceeding six years. After serving consecutively for six (6) years, a cooling off period of two (2) years should be provided for, before appointing the same member to the APC again.

1.4.6 Resignation of Members

A committee member should give one (1) months' notice prior to resignation. The committee member should have the opportunity to have an exit meeting with the municipal manager and council to discuss the reason for leaving and to provide feedback on their experience on GTLM's APC as well as any other issues.

1.4.7 Dismissal of Members

Committee members can be dismissed by the municipal council under certain circumstances, including:

- Where an on-going conflict of interest exists.
- Where a member has not performed to expectations.

- Where a member fails to attend three (3) consecutive meetings will be automatically dismissed and Council will be required to appoint a replacement.

The official dismissal processes of GTLM should be adhered to by the accounting officer and municipal council when an APC member is being dismissed. The dismissal of a member should be performed by the municipal council and the outcome of the dismissal process should be in writing.

1.4.8 Remuneration of Members

Having regard for the functions performed by the members of APC, and pursuant to the powers of the Council, members of APC shall be paid such remuneration in respect of their appointment as shall be fixed by the Council from time to time.

The members of the APC shall be remunerated for time spent and data spent in attendance of the APC meetings, as well as other meetings/workshops where the attendance of an APC member/chairman is required. GTLM may utilise the rates provided by National Treasury.

Remuneration will only be applicable to officials employed outside the public service. No remuneration for participating in the APC 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 reimbursement to members, residing outside of Taung, for travel expenditure must be determined in accordance with the approved council policy and council resolutions in this regard. Members of APC will be required to complete all particulars of their respective travel to and from the venue of the APC/other meetings. The Accounting Officer is required to approve the reimbursement of travel expenditure for members of the APC.

If a senior official from one municipality is requested to serve as a member of an audit and performance committee of another municipality, such senior official must first obtain written consent from the accounting officer before accepting such nominations. The remuneration discussion earlier will apply.

**1.5 Roles & Responsibilities**

The APC's primary objective is oversight of the financial reporting process, ICT, performance management and effective internal controls.

The APC's success in objective oversight of financial reporting, ICT, performance management and effective internal control depends largely on its ability to communicate effectively with management, internal and external auditors. The APC is reliant on the reviews and evaluations made by the independent external auditors and the internal auditors in meeting their objectives.

The roles of the APC are categorised according to the key areas of responsibility:

**Financial Statements**

- Review the appropriateness of accounting policies.
- Review the appropriateness of assumptions made by Management in preparing the financial statements.
- Review the significant accounting and reporting issues and understand their impact on the financial statements.
- Review the annual financial statements, and consider whether they are complete, consistent with prescribed accounting and information known to Committee members.
- Review with management and the external auditors the results of external audit, including any significant issues identified; and
- Review the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.

In terms of the Finance department and the CFO, APC shall:

- Review the expertise, resources, and experience of the municipal finance function, and disclose the results of the review in the annual report.
- Consider and satisfy itself annually of the suitability of the capacity, expertise and experience of the CFO.

**Corporate Governance**

The corporate governance responsibility of the APC is to provide reasonable assurance in respect of the following:

- Reasonable assurance that employees comply with relevant laws and regulations.
- That all municipal employees are conducting its affairs ethically; and
- That GTLM is maintaining an effective and efficient system of internal control to prevent and detect conflicts of interest and prevent the possibility of fraud.

**Risk Management**

The APC must in relation to risk management:

- Provide an independent and objective view of the effectiveness of the municipality's risk management.
- Review the recommendations made by the Risk Management Committee and consider these in line with the APC's charter.
- Provide feedback to the accounting officer and municipal council on the adequacy and effectiveness of risk management in the municipality.
- Review the risk management framework for identifying, assessing, monitoring, and managing significant risks.
- Delegate one APC member to serve as a member of the Risk Committee: and
- Review minutes of the risk committee meetings as a standing item on the APC agenda.

**Control Environment / Compliance**

APC members need to have a good understanding of the control environment. In fulfilling this responsibility, the committee should:

- Review the adequacy of the internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, good governance and effective internal control systems and obtain reports on significant findings and recommendations, together with management's responses.
- Review whether relevant policies and procedures are in place and up to date, and whether they are complied with.
- Determine whether appropriate processes are followed and complied with on a regular basis.
- Review whether the financial, governance and internal controls are operating efficiently, effectively, and economically.
- 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 fraudulent acts or non-compliance; and
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.

**Performance Management**

The APC members need to have a good understanding of the performance of the municipality. These include:

- Review GTLM's compliance with the performance management and reporting systems in compliance with the statutory requirements as well as the performance management best practices and standards.
- Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements.

- Review whether performance management systems reflect GTLM's purpose and objectives.
- Review whether the performance reporting and information uses appropriate targets and benchmarks in relation to GTLM's mandate and services rendered.
- Review the quarterly performance reports submitted by internal audit.
- Review and comment on GTLM's financial statements and the timely submission thereof to the Auditor-General by 31 August each year.
- Review and comment on GTLM's annual report within the stipulated timeframes.
- The chairperson of the APC shall be a member of the evaluation panels established in terms of the regulations issued under the Municipal Systems Act to evaluate the performance of the municipal manager and the senior managers directly accountable to him/her; and
- At least twice during a financial year submit a performance management audit report to council.

**The Audit & Performance Committee may:**

- Communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned.
- Access any municipal records containing information that is needed to perform its duties or exercise its powers.
- Request any relevant person to attend any of its meetings, and, if necessary to provide information requested by the committee; and
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

**Internal Audit**

The APC must in relation to internal audit:

- Review and approve the Internal Audit Charter, including internal audit strategic plan.

- Review and approve the annual internal audit plan, its scope, and any major changes to it, ensuring that it covers the key risks and that there is appropriate co-ordination with the external auditor (Auditor-General).
- Review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit.
- Resolve any difficulties or unjustified restrictions or limitations on the scope of internal audit work.
- Mediate and/or follow up on any significant disagreements between the auditors and management.
- Review significant findings and recommendations by internal audit and management responses thereof.
- Review implementation of internal audit recommendations by management.
- Review the performance of the Head of Internal Audit.
- Advice the municipality on resources allocated to give effect to the work outputs of the internal audit function.
- 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.
- Evaluate the performance of internal audit activity in terms of the agreed goals and objectives as captured in the audit plan; and
- Meet separately with the Head of Internal Audit to discuss any issues that the APC or internal audit believes should be discussed privately.
- Provide support to Internal Audit by ensuring it is adequately staffed and resourced

The internal audit unit is accountable to the APC as follows:

- Maintain open and effective communication with the APC.
- Develop a flexible annual audit plan using a risk-based methodology, addressing any weaknesses in risks or controls identified.
- Submit the audit plan to the APC for review and approval.

- Report on the implementation and results of the annual audit plan including special audits requested by management and the APC.
- Assist in drafting the agenda and documentation and facilitate the distribution thereof to the APC in advance of meetings.
- Meet periodically with the chairperson of the APC to discuss whether the material and information furnished meets the requirements of the APC.
- Obtain advice from the APC whether the frequency and time allocated to the committee is sufficient to attend effectively to all matters.
- Cooperate with the APC as they conduct annual reviews of the performance of the internal audit function; and
- Submit the internal audit charter to the APC for review and approval on an annual basis and as necessary.

**External Audit**

The APC must in relation to external audit:

- Take cognizance of the scope of work undertaken by the external auditors and the extent of co-ordination with the internal audit unit.
- Review the external auditors' proposed audit scope, approach, and audit fees for the year.
- Review the findings and recommendations by the external auditors and monitor management's implementation of audit recommendations and council resolutions in the new financial year.
- Address outstanding matters raised by the external auditors and ensure any findings are dealt with conclusively in an expeditious manner.
- Review implementation of external auditor's recommendations by management on previously reported audit findings.
- Provide advice to the accounting officer of GTLM on proposed actions to be taken which relates to significant matters raised in external audit reports.
- Liaise with the external auditors on any matters that the APC considers appropriate to raise with the external auditors.
- Review the performance of the external auditors; and

- The committee shall confirm that a process is in place for it to be informed of any Reportable Irregularities (as defined in the Auditing Profession Act, 2005) identified and reported by the external auditors.

**ICT Governance (Information and Communication Technology)**

The APC needs to provide advice on IT Governance, controls, access and safeguarding of information in GTLM.

Specific expertise may be required from within or outside GTLM from time to time, to assist internal audit and the APC in formulating recommendations on systems and controls. The APC may have to advise on the appropriateness of the disaster recovery and continuity plans supporting IT risks, regular testing and evaluation of plans, systems, and processes.

**Combined Assurance**

The APC should ensure that a combined assurance model is developed and applied, to provide a coordinated approach towards assuring that relevant assurance activities are effective and efficient.

In particular, the APC must:

- Ensure that the combined assurance received is appropriate to address all the significant risks facing the municipality; and
- Monitor the relationship between external assurance providers and GTLM.

**Annual work plan**

The Audit and Performance Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The work plan must ensure proper coverage of the matters laid out in the APC Charter. The more critical matters will need to be attended to each year, while other matters may be dealt with on a rotation basis over a three-year period.

### 1.6 Reporting and Accountability

The chairperson of the APC will report bi-annually or more frequently if required, to GTLM's council on the operations of the internal audit unit and the APC. The reports should include:

- A summary of the work performed by the internal audit unit and the APC against the annual work plan.
- Effectiveness of internal controls and additional measures that must be implemented to address identified risks.
- A summary of key issues dealt with, such as significant internal and external audit findings, recommendations, and updated status thereof.
- Progress with any investigations and their outcomes.
- Details of meetings and the number of meetings attended by each member; and
- Other matters requested of the internal audit and APC.

The APC shall prepare a report annually which will be incorporated into GTLM's annual report, which will cover the following:

- Description of the functions performed by the APC and meetings attended.
- Resolutions taken by council and implementation status of recommendations made; and
- Other relevant comments that may enhance governance and accountability.

The above-mentioned report must be submitted to the Municipal Public Accounts Committee (MPAC) on an annual basis. The Chairperson of APC (or a member in his/her absence) must always be available whenever MPAC needs clarity on the APC report.

The MPAC, in discharging its abilities, may make use of any information provided by the APC to avoid duplication of effort.

**1.7 Meetings**

The APC should meet as often as is required to perform its functions but must meet at least four (4) times within a given financial year. The Head of Internal Audit, in consultation with the APC secretariat within GTLM, must ensure that the required preparation for the meeting of the APC is finalised and that the agenda is circulated, together with all supporting documents required, at least seven (7) days before the commencement of the meeting and that substantive work would be undertaken for the duration of the meeting.

The following persons have a standing invitation to the APC:

- Municipal Manager
- Head of Internal Audit
- Senior Managers, reporting directly to the Municipal Manager
- Chief Risk Officer
- MPAC Chairperson
- Chairperson of the Risk Management Committee
- Performance Management Manager; and
- Any person on invitation by the chairperson of the APC where the need arises.

The Head of Internal Audit, in consultation with the chairperson of the APC, must determine the time frames of all meetings.

Considering the financial implications, the accounting officer in consultation with the chairperson of the APC must agree if meetings go beyond a one day sitting.

The APC must meet with the internal and external auditors at least once a year. If the appointed chairperson is absent from a meeting, the members present must elect a member present to act as chairperson.

### 1.8 Evaluation of APC performance

The APC must assess its performance and achievements against its charter on an annual basis. This can be done by way of self-assessment. The aim of the self-assessment is to ensure that the APC is meeting its objectives efficiently and effectively.

Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the committee, the chair should take action to ensure that such enhancements are implemented.

It may be beneficial for the APC to use an external facilitator to help with, or to supervise the self-assessment process. It is up to the APC to decide whether the services of an external facilitator are required.

The APC should conduct continuous self-assessment to measure its performance. Input from management, council, internal audit, and external audit is part of the assessment process. Evaluation criteria include the following:

- Expertise and know how
- Inquiring attitude, objectivity, and independence
- Judgment
- Knowledge of government and its objectives
- Understanding of and commitment to the APC's duties and responsibilities
- Devotion of time to participate effectively in committee deliberations and decisions
- Timely responses
- Attendance of meetings

The findings of the self-assessment should be presented by the chairperson to the municipal manager and council. If an individual APC member is not performing, then the member must be given an opportunity to address such with council. If it is considered necessary to terminate the services of an APC member prior to the end of the term appointment, proper procedures should be followed.

**1.9 Relationship with stakeholders**

The APC is required to maintain good relations with key stakeholders, such as:

- Municipal Council
- Mayor
- Municipal Public Accounts Committee
- Finance Committee
- Accounting Officer
- Management and staff
- Internal and External Auditors
- District Municipality, Provincial and National Treasury

## 2. REVIEW OF THE CHARTER

The APC will annually review its Charter to ensure that it remains relevant with the APC's authority, objectives, and responsibilities. All changes or amendments to the Charter will be discussed.

## 3. APPROVAL OF THE CHARTER

GTLM's APC Charter 2024/2025 is approved by Council.

______________________________ ______2024____________

**Chairperson of the APC** **Date**

______________________________ ___2024________________

**Chairperson of Council** **Date**

**Council Resolution Number:_______________**