

BOJANALA PLATINUM DISTRICT MUNICIPALITY



AUDIT COMMITTEE CHARTER

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BOJANALA PLATINUM DISTRICT MUNICIPALITY AUDIT COMMITTEE CHARTER

1. PURPOSE OF THE AUDIT COMMITTEE CHARTER

The purpose of this charter is to set out the specific responsibilities delegated by Council to the Audit Committee and details the manner in which the Audit Committee will operate.

2. LEGISLATIVE FRAMEWORK

In terms of Section 166 of the Municipal Finance Management Act 56 of 2003 and Section 14(2) of the Planning and Performance Management Regulations No.7146 of 2001, the Council of Bojanala Platinum District Municipality should ensure that Bojanala Platinum District Municipality has and maintains a system of internal control under the control of an external Audit Committee.

Section 166 of the Municipal Finance Management Act, No 56 of 2003 stipulates that:-

- (1) Each municipality and each municipal entity must have an audit committee, subject to subsection (6)
- (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, or the board of directors, the accounting officer and the management staff of the municipal entity on matters relating to:
 - Internal financial control and internal audits
 - Risk Management
 - Accounting policies
 - The adequacy, reliability and accuracy of financial reporting and information
 - Performance Management
 - Effective Governance
 - Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation
 - Performance evaluation, and
 - Any other issues referred to it by the municipality or municipal entity

- b) Review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, 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 or municipal entity of the municipality or in the case of the municipal entity, the council of the parent municipality or the board of directors of the entity, 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
 - (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 or municipal entity.
- (4) An audit committee must
- (a) consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality or municipal entity, as the case may be; and
 - (b) meet as often as is required to perform its functions, but at least four times a year
- (5) The members of the audit committee must be appointed by the council of the municipality or, in the case of a municipal entity, by the council of the parent municipality. One of the members who is not in the employ of the municipality or municipal entity, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee
- (6) A single audit committee may be established for-
- (a) a district municipality and the local municipalities within that district municipality; and
 - (b) a municipality and municipal entities under its sole control

3. ROLES OF THE AUDIT COMMITTEE

The operation of an effective Audit Committee will assist management in the discharge of their duties relating to the safeguarding of assets and the implementation of adequate systems of internal control.

It will also provide assurance that all possible steps have been taken to provide thorough independent reviews of internal controls and that there has been compliance with relevant policies, procedures, laws and regulations.

The Audit Committee will ensure that Bojanala Platinum District Municipality promote a culture of performance management among its Political Structures, Political Office Bearers, Councillors and its Administration.

The Audit Committee will ensure that Bojanala Platinum District Municipality administer its affairs in an economical, efficient and accountable manner.

The Audit Committee shall not perform any management functions nor assume any management responsibilities, as this could prejudice the objectivity of the Committee.

4. POWERS/AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee is authorised to:-

- ◆ Have full, free and unrestricted access to all the activities, records, property and staff of the Municipality,
- ◆ Obtain outside legal or other independent professional advice,
- ◆ Review the activities of the internal and external auditors,
- ◆ Determine its own procedures after consultation with the executive Mayor or the executive Committee of the Municipality
- ◆ Investigate any matter within its terms of reference and report on it, and
- ◆ Communicate freely to the Municipal Manager, the Office of the Auditor General and/or Executive Mayor about any matter that needs urgent attention.

5. MEMBERS OF THE AUDIT COMMITTEE SERVING LOCAL MUNICIPALITIES

In terms of Section 14 (h)(i) of the Planning and Performance Management Regulation no. 7146 of 2001, a local municipality may elect to make use of the audit committee of the District Municipality in whose area it falls and that audit committee is to be regarded as the audit committee of the municipality in question.

A local municipality that elects to make use of the audit committee of the District Municipality in whose area it falls must notify the District Municipality of its decision and make suitable arrangements regarding the availability of that Audit Committee

6. COMPOSITION OF THE AUDIT COMMITTEE

The committee will comprise of at least four (4) members to serve as members of the Bojanala Platinum District Municipality's Audit Committee.

The quorum will be three (3) external members

The members of the Audit Committee shall elect a chairperson. If the Chairperson of the Audit Committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting.

The members term of office shall run from 1 July 2004 to 30 September 2006 taking into account the financial year

The Accounting Officer and the Chief Financial Officer are ex-officio members of the Audit Committee

Appointment of a member shall terminate if he/she is absent for 3 consecutive meetings and/or is absent on a regular basis

In the event of a vacancy amongst the members of the Audit Committee, the Municipality shall fill that vacancy for the unexpired portion of the vacating member's term of appointment.

7. RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee should establish appropriate measures to effectively discharge its mandate in respect of the following areas:-

7.1 Internal Controls and Management of risk

The Audit Committee should understand the major risk areas including the financial, legal and fiscal risks and the internal control environment. It should monitor the control process and the adequacy of the system of internal control by:-

- ◆ Reviewing the internal control structure, including financial control, accounting systems and reporting followed by management
- ◆ Reviewing controls designed to ensure that assets are safeguarded
- ◆ Obtaining an understanding and assessment of the overall risk environment and related policies
- ◆ Reviewing external auditor's observations as presented in the management letter and the adequacy of management responses
- ◆ Reviewing the subsequent implementation of agreed improvements

7.2 Responsibilities relating to the Internal Audit Function

The Audit Committee should ensure that the Internal Audit Function performs their responsibilities effectively and efficiently by:-

- ◆ Reviewing and recommending the Internal Audit Charter, for approval by the Council,
- ◆ Review the organisational structure and competence of the Internal Audit Function,
- ◆ Review the audit plan of the Internal Audit Function and ensure that the audit plan addresses the high risk areas and that adequate resources are available,
- ◆ Review audit results and action plans of management,
- ◆ Review of the results of the quality assurance reviews,

7.3 Responsibility relating to the External Audit Function performed by the Auditor-General

The Audit Committee should also:-

- ◆ Ensure that there are no restrictions or limitations placed on the external auditors,
- ◆ Review the external audit results, quality and contents of financial information and action plans of management
- ◆ Discuss the extent and timing of the external auditor's proposed audit coverage,
- ◆ Consider material unsolved accounting and auditing problems,
- ◆ Review the extent of the external auditor's planned reliance on the work of internal auditors
- ◆ Review the audit plan with external auditors to ensure that the audit will meet the needs of the Bojanala District Municipality

7.4 Credibility and objectivity of financial statements and reports

- ◆ Review compliance with statutory requirements and accounting standards
- ◆ Review the resolution of and significant or unusual accounting and auditing problems highlighted by management and/or internal or external auditors
- ◆ Review the nature of any significant adjustment to the financial statements proposed by management and/or the internal or external auditors
- ◆ Review the statement of disclosure in the annual financial statements
- ◆ Review the nature and impact of any changes in accounting policies during the year
- ◆ Review the reasons for major fluctuations in financial statements (Current year compared with previous year)
- ◆ Review unusual circumstances or events reflected in the financial statements
- ◆ Review unusual or significant commitments or contingent liabilities
- ◆ Review significant transactions that are not normally part of the Bojanala District Municipality's business
- ◆ Review the adequacy, reliability and accuracy of financial information and reporting
- ◆ Review the adequacy of the accounting policies

7.5 Responsibilities relating to performance management

The audit committee must:-

- ◆ Review the performance measurement quarterly reports submitted to it by the Internal Auditor
- ◆ Review the Bojanala Platinum District Municipality's performance management system and make recommendations in this regard to the council, and
- ◆ At least twice during the financial year submit a progress report to Bojanala Platinum District Municipality.

7.6 Compliance with laws, regulations and ethics

The Audit Committee should satisfy itself that the management of Bojanala Platinum District Municipality has the necessary mechanism in place to ensure that there is compliance with pertinent laws and regulations, is conducting its affairs ethically, and is maintaining effective controls against conflicts of interest and fraud. The specific steps involved in carrying out this responsibility include:-

- ◆ Reviewing policy documents which should incorporate:
 - Compliance with laws, regulations, ethics, policies and
 - Rules regarding conflict of interest.
- ◆ Monitoring the compliance with the above laws and regulations
- ◆ Taking note of significant cases of employee's conflict of interest, misconduct, or fraud and the resolution of the cases.
- ◆ Reviewing the Internal Auditor's written report concerning the scope of reviews of compliance, any significant findings, and the resolution and follow-up on findings and recommendations.
- ◆ Monitoring developments and changes in the law relating to the responsibilities and liabilities of management and to monitor and review the extent to which the management is meeting its obligations.
- ◆ Ensuring that Bojanala Platinum District Municipality is adhering to the Division of Revenue Act

8. REPORTING RESPONSIBILITIES

The Audit Committee shall report to Council through the Office of the Municipal Manager,

The Audit Committee shall have the powers of reporting directly to Council as and when it deems fit.

The Chairperson of the Audit Committee should be available to answer questions regarding their activities to the Mayoral Committee or to Council if requested.

9. MEETINGS OF THE AUDIT COMMITTEE

Meetings shall be held quarterly but additional special meetings may be called, and must have a quorum of 3 people to proceed.

Special meetings may be called if there is an important matter that needs urgent attention of the Audit Committee.

The internal Auditor should attend all official meetings. A representative from the Office of the Auditor-General must be invited to attend every meeting. The Audit Committee may also invite such other persons as it deems necessary.

The minutes of all official meetings should be circulated to the members and officials attending the meetings.

10. SECRETARIAT SERVICES FOR THE AUDIT COMMITTEE

The Bojanala Platinum District Municipality must provide secretariat services for the Audit Committee. The Secretary shall quarterly circulate the minutes of the Audit Committee to all members and reports to Council.

The Internal Auditor and the Chairperson of the Audit Committee shall determine the agendas, which should be circulated at least one week prior to the meetings to all members, officials, or any person that needs to attend the meeting.

11. REMUNERATION OF THE MEMBERS

Members of the Audit Committee shall be remunerated at the rate of R500.00 per hour for eight (8) hours maximum per meeting including preparation time but excluding travelling costs. Travelling costs shall be paid according to the applicable rates paid by Bojanala Platinum District Municipality per actual kilometre travelled. No travelling time shall be paid to the audit committee members

12. DISCLOSURE

Conflict of interest shall be disclosed by all committee members and no member shall be allowed to vote when a decision has to be taken.

13. AMENDMENTS TO THIS CHARTER

Amendments to this Charter are subject to the approval of Council

Audit Committee Chair

Municipal Manager

Date

