

# OUTTSHOORN

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A TOWN TO WORK, LEARN, PLAY AND PROSPER

## CHARTER: AUDIT COMMITTEE

## TABLE OF CONTENT

	Page
1. INTRODUCTION	3
2. COMPOSITION	3
3. APPOINTMENT, MEMBERSHIP AND TERM OF OFFICE	3
4. SKILLS AND EXPERIENCE	4
5. INDUCTION OF MEMBERS	4
6. REPORTING	5
7. AUTHORITY	5
8. REMUNERATION OF MEMBERS	6
9. AC PERFORMANCE ASSESSMENT	6
10. ROLES AND RESPONSIBILITIES	
10.1 INTERNAL AUDIT	7
10.2 EXTERNAL AUDIT	8
10.3 ANNUAL FINANCIAL STATEMENTS	8
10.4 RISK MANAGEMENT	9
10.5 CONTROL ENVIRONMENT	9
10.6 PERFORMANCE MANAGEMENT	10
10.7 INFORMATION TECHNOLOGY (IT)	10
10.8 INTEGRATED REPORTING AND COMBINED ASSURANCE	10
10.9 CORPORATE GOVERNANCE	11
10.10 FORENSIC INVESTIGATIONS AND FRAUD	11
10.11 COMPLIANCE	11
11. RELATIONSHIP WITH STAKEHOLDERS	11
12. MEETINGS, MINUTES, ATTENDANCE AND QUORUM	12
13. GENERAL	12

## **1. INTRODUCTION**

The audit committee operates as a committee of the council. The audit committee performs the responsibilities assigned to it by the MFMA (Section 166), and the corporate governance responsibilities delegated to it under its charter by the council.

A charter is the written terms of reference approved by the council which outlines the mandate of the audit committee. The charter becomes the guidance and policy of the audit committee which then informs the contracts of the audit committee members.

## **2. COMPOSITION**

- 2.1 Section 166 of the MFMA requires for a minimum composition of the audit committee. The audit committee must comprise of at least three (3) persons who are not an employee of the municipality.
- 2.2 In terms of best practice, the number and/or size of audit committees can be increased to five (5) persons to make provision for the required skills and needs of the municipality.

## **3. APPOINTMENT, MEMBERSHIP, INDEPENDENCE AND TERM OF OFFICE**

- 3.1 Section 166(5) of the MFMA requires that the members of an audit committee must be appointed by council.
- 3.2 Councillors are not allowed to be members of an audit committee.
- 3.3 The appointed members must enter into a contract with the municipality according to the approved terms of reference.
- 3.4 Council will appoint the Audit Committee members and the members from among themselves will elect the Chairperson and Deputy Chairperson.
- 3.5 Audit Committee members are being appointed for a 3 year term.
- 3.6 No committee member may be re-elected after his or her 2<sup>nd</sup> term of three years.
- 3.7 All audit committee members must declare private and business interest before every meeting.
- 3.8 Members should not terminate their contract until they have shared their knowledge with other new members. A committee member should give two months notice prior to resignation.
- 3.9 Upon resignation, members should have an exit meeting with council to discuss reason for leaving and to provide feedback.
- 3.10 Committee members can be dismissed by the municipal council under certain circumstances. The Municipal Manager should consult the charter when dismissing members of the committee. Reasons for dismissal amongst other would normally be:
  - Where an on-going conflict of interest exists.
  - Where a member has not performed to expectations.

