

XHARIEP DISTRICT MUNICIPALITY



AUDIT AND PERFORMANCE COMMITTEE CHARTER 2025/26

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1. Introduction

In terms of Section 166 (1) of the MFMA, the act states that "Each municipality and each municipal entity must have an audit committee, subject to subsection (6) which states that: 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.

2. Purpose

- a) The Audit and Performance Committee has non executive status, and to assist the Committee in fulfilling its oversight responsibility relating to:
 - (i) The integrity of the Municipality's financial statements and financial reporting process.
 - (ii) Governance, Risk Management processes and systems of internal controls.
 - (iii) The audit process (internal and external)
 - (iv) The Municipality's process for monitoring compliance with laws, regulations and the code of conduct.

In discharging its responsibilities, the Committee in itself is not responsible for the planning or conducts of audits or for any determination that the Municipality's financial statements are complete and accurate or in accordance with the generally acceptable accounting principles. This is the responsibility of Management and the independent Auditors. The Committee's role is that of an independent monitoring of activities within the Municipality.

3. Authority and Powers of the Audit and Performance Committee

The Audit and Performance Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility in conjunction with subsection (3) of the MFMA, section 166:

In performing its functions, an audit committee-

- (a) Has access to the financial records and other relevant information of the municipality or municipal entity; and
- (b) Must liaise with-
 - (i) The internal audit unit of the municipality; and
 - (ii) The person designated by the Auditor-General South Africa to audit the financial statements of the municipality or municipal entity.

4. Duties and Responsibilities of the Audit and Performance Committee

4.1 The Audit Committee shall consider any matters relating to the financial affairs of the municipality and refers the matters to internal and external audit that is determined to be desirable.

In addition, the committee shall examine any other matter referred to it by senior management, provided that such requests are legitimate and within the scope of the committee's duties and perform all statutory roles as outlined in section 166 of Municipal Finance Management Act.

4.2 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-

- (i) Internal financial control and internal audits;
- (ii) Risk management;
- (iii) Accounting policies;
- (iv) The adequacy, reliability and accuracy of financial reporting and information;
- (v) Performance management;
- (vi) Effective governance;
- (vii) Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- (viii) Performance evaluation; and
- (ix) 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 South Africa in the audit report;

e) carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request;

f) Perform such other functions as maybe prescribed; and

g) Hold separate meetings with the Mayor, Accounting Officers, Internal Auditors and the Office of the Auditor-General of South Africa.

4.3 The Audit and Performance Committee will carry out the above responsibilities as follows:

4.3.1 Internal Control

a) Consider the effectiveness of the municipality's internal control system, including information technology security and control.

b) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

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4.3.4 Internal Audits

Principle 7 Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

The board is responsible for enabling the independence of the internal audit function. Independence is defined as the freedom from conditions that impair the internal audit function's ability to carry out its responsibilities in an unbiased manner. The internal audit function is only able to fulfill the Purpose of Internal Auditing when the chief audit executive reports directly to the board, is qualified, and is positioned at a level within the organization that enables the internal audit function to discharge its services and responsibilities without interference.

- a) Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- b) Review with the Head of Internal Audit the internal audit (IA) budget, resource plan, activities, and organizational structure of the internal audit function.
- c) Advise the Accounting Officer on the adequacy of internal audit resources needed to carry out auditing responsibilities, including the completion of the approved internal audit plan
- d) Approve the internal audit charter.
- e) Approve decisions regarding the appointment and removal of the Head of Internal Audit.
- f) Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit.
- g) Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Global Internal Audit Standards.
- h) Monitor management's implementation of IA recommendations.
- i) On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.
- j) The Chief Audit Executive functionally reports to the Audit Committee.

Principle 8 Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness. Board oversight is essential to enable the overall effectiveness of the internal audit function. Achieving this principle requires collaborative and interactive communication between the board and the chief audit executive as well as the board's support in ensuring the internal audit function obtains sufficient resources to fulfill the internal audit mandate. Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.

4.3.5 External Audit

- a) Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- b) Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- c) Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- d) On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

4.3.6 Control Environment

- a) Ensure that management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control.
- b) Establish whether management has relevant policies and procedures in place and that these are adequate, effective and regularly updated.
- c) Determine whether appropriate processes are followed and complied with on a regular basis.
- d) Consider measures applied on any required changes to the design or implementation of internal controls.
- e) Assess steps taken by management to encourage ethical and lawful behavior; financial discipline and accountability for use of public resources.

4.3.7 Performance Management

- a) Review and comment on compliance with statutory requirements and performance management's best practices and standards.
- b) Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements.
- c) Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the municipality.
- d) Review compliance with in-year reporting requirements.
- e) Review the quarterly performance reports submitted by internal audit.
- f) Review and comment on municipality's annual financial statements and timely submission to the Auditor-General by 31 August, each year.
- g) Review and comment on the municipality's annual reports within the stipulated timeframes.
- h) Review and comment on the municipality's performance management system and make recommendations for its improvement.

4.3.8 Compliance

- a) 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 noncompliance.
- b) Review the findings of any examinations by regulatory agencies, and any auditor observations.

- c) Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- d) Obtain regular updates from management and legal counsel regarding compliance matters.

4.3.9 Financial Statements

- a) Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- b) Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- c) Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- d) Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- e) Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.
- f) Review with management and the external auditors the results of the audit, including any difficulties encountered.

4.5.1 Satisfying itself that it has appropriately addressed the following areas:

- a) financial reporting risks, including the risk of fraud;
- b) internal financial controls; and
- c) IT risks as they relate to financial reporting.
- d) Evaluate the effectiveness of internal audit in its responsibilities for risk management.

5. Reporting

- a) The Audit Committee will be responsible to:
 - i) Report quarterly to the Council of Xhariep District Municipality about Audit Committee activities, issues, and related recommendations.
 - ii) Provide an open avenue of communication between Internal Audit Unit, the external auditors, and the Council.
 - iii) Report annually to the Council of the municipalities, describing the Audit Committee's composition, responsibilities and how they were discharged, and any other information required by rule.
 - iv) Review any other reports which contain the Municipality issues that relate to Audit Committee responsibilities.
 - v) In addition, the Chairperson must report annually to the Council of Xhariep District Municipality summarising the activities, recommendations and decisions of the Audit Committee during the previous financial year.

6. Governance of ethics

The Committee should exercise ongoing oversight on the governance of ethics in a way that supports the establishment of an ethical culture. Organisational ethics should be approached and addressed as follows:

- (i) Application of the Municipal ethical standards to the processes for the recruitment, evaluation of performance and reward of employees, as well as the sourcing of suppliers.
- (ii) Having sanctions and remedies in place for when the Municipality's ethical standards are breached.
- (iii) The use of protected disclosure or whistle blowing mechanisms to detect breaches of ethical standards and dealing with such disclosure appropriately.
- (iv) The monitoring of adherence to the Municipality's ethical standards by employees and other stakeholders through, among others, periodic independent assessment.
- (v) Extent to which key ethical risks are addressed.

Further the Committee should:

- (i) Ensure that the code of conduct for public service is in writing and enforced by the Department.
- (ii) Evaluate whether the Internal Audit Activity is setting the appropriate "tone at the top" by communicating the importance of the Institute of Internal Auditors (IIA) code of ethics.
- (iii) Review the process for monitoring compliance with the Code of Conduct.
- (iv) Obtain regular updates from management regarding compliance.

7. COMPOSITION

The Audit Committee will consist of at least two (2) independent individuals who are neither in the employment of the municipality nor are Councilors of Xhariep District Municipality. They shall be recruited from independent experts in audit, finance, accounting and related fields with an interest in the affairs of the Municipality. They are to be appointed by the Council of Xhariep District Municipality, one of whom will be appointed as the Chairperson.

The Council of Xhariep District Municipality shall, from time to time, review and revise (when appropriate) the composition of the Audit Committee in accordance with recommendations received, taking into account the need for an adequate combination of financial and business skills and knowledge.

The following non-members will be required to attend all meetings:

- i) The Accounting Officers
- ii) A representative from the Auditor-General South Africa
- iii) The Chief Financial Officers
- iv) Manager Internal Audit
- v) Chief Risk Officers

vi) Risk Chairperson

vii) A representative of Provincial COGTA, SALGA and Provincial Treasury (as required)

viii) Relevant Head of Departments (as required)

ii) Invitations to attend Audit Committee meetings will be extended to professional advisors as deemed appropriate by the Audit Committee.

iii) Members of the Council may be invited to attend Audit Committee meetings.

The Audit Committee may excuse any of the non-members from the meeting when a particular item concerning that non-member is discussed or confidential discussions take place.

The external members shall serve the Audit Committee for a period of 3 years renewable to a maximum of 6 years reckoned from the date on which the external member actually assumes duty on the terms and conditions contained in the contract

The right to head hunt will apply only if a member of a current appointed audit & performance management committee resigns and a need arise for a new member to be appointed. For appointments of a new Audit and Performance Management Committee term a formal interview will be followed.

8. MEETING

➤ Number of Meetings and Attendance

A minimum of four (4) meetings shall be held during each financial year (one meeting per quarter). If a member of the Audit Committee fails to attend three consecutive meetings as scheduled during the financial year without reasonable explanations, the matter shall be deliberated amongst the Committee members and further brought to the attention of the Council of Xhariep District Municipality.

Special meetings of the Audit Committee may be convened with the Chairperson's approval. Any member of the Audit Committee, the Accounting Officers, Chief Financial Officers, the Head of Internal Audit or the Auditor General South Africa may request a special meeting if they consider that one is necessary.

➤ Quorum

The quorum for meetings will be two plus one of the four (4) fixed members of the Committee.

➤ **Notice of Meetings**

The Internal Audit Unit, on behalf of the Chairperson shall give in writing to all members of the Audit Committee and other interested parties, of each meeting to be held, at least 14 days prior to the date on which such meeting is to be held.

The Chairperson of the Audit Committee may waive the notice period for a special meeting where circumstances necessitate it. The Chairperson must submit reasons for such a decision to the meeting.

The minutes shall be approved at the immediately following meeting, whereupon the approved minutes will be circulated to all attendees within five working days.

➤ **Agenda for meetings**

The agenda of the meeting together with the audit pack shall be prepared and distributed at least seven (7) calendar days prior to the meeting date. Any person attending the meeting may add items to the agenda three (3) calendar days before the agenda is finalised. Such items should be provided to the Secretariat of the Audit Committee. In an event where the audit packs did not reach the members within the stipulated times, the Audit Committee will use its discretion and may consider waiving the number of days pending the reasonability of circumstances.

➤ **Minutes of meetings**

The Head of Internal Audit shall act as Secretariat. The Secretariat shall keep minutes of all meetings and shall circulate the minutes of the meetings to all Committee members within 21 working days after such a meeting.

9. Declaration of Interest

The Audit Committee members shall be required to declare any interests in each meeting attended.

10. Review of the Charter

This Charter will be reviewed annually by the Audit Committee.

11. Remuneration of Members

Members shall be remunerated based on the Treasury Regulations 20.2.2 and with reference to Treasury regulation 3.1.6. The remuneration applicable to Committee of Inquiry is applicable to members of Audit Committees. The sitting fee for Audit Committee members per meeting shall be paid in rate per day as per the Regulation. The remuneration of Audit Committee members will be applicable to any other meetings that the members may be compelled to attend, or a Council Resolution that must be presented to the Audit Committee members for reviewing and agreement.

In addition, members shall be remunerated a preparation fee equal to 50% to the sitting allowance of ordinary Member or Chairperson per Audit Committee meeting attended. The reimbursement of traveling expenditure will be in accordance with the rate per kilometer as published and updated by the National Department of Transport. A data allowance will be paid to each Audit Committee member for a period of their contracted years with the Municipality for purpose of virtual meetings, as per the Municipality's Working From Home approved policy per each virtual meeting held.

Additional remuneration shall be supported by a Council Resolution, and employees of organs of state serving in the Audit Committee are not entitled to additional remuneration only out of pockets expenses which may be reimbursed.

The Audit Committee members claims shall be paid within 7 working days after each meeting held.

12. Effectiveness

The Audit Committees' and members' effectiveness shall be evaluated on an annual basis by the Oversight Committee of the Xhariep District Municipality through appropriate tools and technologies and feedback shall be provided to the Audit Committee and members thereafter.

13. Combined Assurance

King IV – Part 5.4 Recommended practices 40 – 43 states that the Audit Committee should ensure that a combined assurance model is applied to provide coordinated approach to all assurance activities, and that it includes as recommended practice the principle that the Audit Committee should ensure that the combined assurance is appropriate to address all the significant risks facing the organization, and further more should monitor the relationship between external assurance providers and the organization.

It should be reiterated that the Audit Committee's responsibilities for combined assurance have now been expanded to include all significant risks and is not limited to the financial and information technology risks only. With combined assurance, the Audit Committee will be able to fulfill the oversight function much more effectively and efficiently. Combined assurance can be used to provide the audit committee with the comfort that significant risks, including strategic risks, and actions to mitigate the risks, have been subjected to assurance procedures.

According to the Public Sector Risk Management Framework issued by National Treasury, the Audit Committee is an independent committee responsible for oversight of the institution's control, governance and risk management, and should provide an independent and objective view of an institution's risk management effectiveness. Responsibilities should include reviewing and recommending disclosures on risks in the annual report, providing feedback on the adequacy and effectiveness of risk management, including recommendations for improvement, ensuring internal and external plans are aligned to the organisation's risk profile, and satisfying itself that financial reporting risks, internal financial control and information technology risks are properly appropriately addressed.

Accounting Officers

Municipal Managers

Auditor-General South Africa

The Office of the Auditor-General South Africa appointed as external auditor of District Municipality in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)

Council

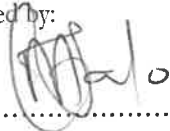
Xhariep District Municipality established in terms of section 18(1) of the Local Government Municipal Structures Act, No 117 of 1998, as amended.

Audit Committee

Established in terms of Sections 166(1) & (6) of the Municipal Finance Management Act, No 56 of 2003.

15. APPROVAL

Compiled by:


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20 June 2025

Manager Internal Audit
Ms. Kumalo MY

Date

Approved By:


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20 June 2025

Audit Performance Committee Chairperson
Mr. Salimani N.

Date

Noted and Approved by Council

... 26 June 2025

Resolution Date