

# **SOL PLAATJE LOCAL MUNICIPALITY**



## **Audit Committee Charter 2025/26**

**JULY 2025**

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## **1. INTRODUCTION**

The Municipal Finance Management Act (2003) (MFMA) requires Management to ensure that the Municipality has and maintains an effective, efficient and transparent system of financial, risk management and internal control. The implementation of controls and information systems is essential to the effective discharge of management's responsibilities.

As part of Management's plans to fulfil the obligations to demonstrate greater accountability and ensuring a higher quality of service, the Municipality established an Audit Committee in terms of section 166 of the MFMA No.56 of 2003.

The audit committee plays an important role in providing oversight of the municipality's governance, risk management, and internal control practises. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee performs its roles by providing independent oversight to the governing body e.g. Council.

## **2. PURPOSE**

The purpose of the audit committee is to provide a structured, systematic oversight of the municipality's governance, risk management and control practices. The committee assist the Council and management by providing advice and guidance on the adequacy of the municipality's initiatives for:

- Values and ethics;
- Governance structures;
- Risk management and
- Controls

To assist management in fulfilling its oversight responsibilities for:

- The integrity of the municipality's financial statements;
- The municipality's compliance with legal and regulatory requirements and the code of conduct; and
- The performance of the municipality's internal audit function and external auditors.

The Committee must comply with its responsibilities arising from section 166 of the MFMA.

This charter sets out the specific responsibilities delegated by Core Management to the Committee and details the manner in which the Committee operates.

### **3. MANDATE AND AUTHORITY**

The broad objectives of the Audit Committee are the following: -

- The Audit Committee is advisory in nature and does not have any executive powers.
- The Audit Committee will consider matters relating to management and the Council in the discharge of its duties to safeguard assets, operate adequate systems and controls, and prepare annual financial statements, and on matters relating to performance management and performance evaluation.

The Audit Committee will not perform any management functions or assume any management responsibilities as this could prejudice its objectivity. It will make recommendations to the Council in respect of the activities which form part of its terms of reference / responsibilities (*as set out below*).

The Committee is hereby authorised to perform the function as described in this charter. In carrying out this mandate, the Committee is authorised to have full, free and unrestricted access to all the Municipality's activities, records, property and personnel, as well as to the Mayor and the Accounting Officer.

Council authorises the Committee within the scope of its responsibilities to:

- Seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee;
- Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Any such appointments should be made subject to the approval of the Accounting Officer and Supply Chain Management procedures; and
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Request the attendance of any executive or official; at Committee meetings;
- Conduct meetings with External Auditors (Auditor-General) and Internal Auditors as deemed necessary;

## **4. RESPONSIBILITIES**

### **4.1. Management, Internal Control and Annual Financial Statements**

The Committee plays an oversight role to ensure Management of the Municipality is carrying out its responsibilities in terms of the MFMA. The following, amongst others, would be expected from the Committee:

- Consider the effectiveness of the Municipality's internal control system, including information technology security and control;
- Consider the effectiveness of the Municipality's risk management and corporate governance process;
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses;
- Review the content, quality, adequacy, reliability and accuracy of the financial information (i.e. quarterly reports) provided by Management and provided to other users of such information;
- Review any accounting and auditing concerns identified as a result of internal and external audits performed;
- Review and discuss with the Accounting Officer the audited annual financial statements to be included in the annual report;
- Review the Auditor-General management letter and management response;
- Instil the necessary respect for internal control within the Municipality and shall emphasize the importance of an effective control structure to them;
- Review changes in accounting policies and practises;
- Review significant adjustments resulting from the audit;
- Evaluate the financial statements;
- Understand how management develops interim financial information and the nature and extent of internal and external auditors' involvement; and
- Review litigations, and other issues of major adjustments processed at year-end.

#### **4.2. The Internal Audit Activity (IAA)**

- Review with Management and the Chief Audit Executive the charters, plans, activities, staffing, and organisational structure of the internal audit function;
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, assessment and /or dismissal of the Chief Audit Executive;
- Review the effectiveness of the Internal Audit Function, including compliance with the Institute of Internal Auditors' Global Internal Audit Standards; and ensure that the internal audit activity is subject to an independent quality assurance as and when the committee determines it appropriate;
- Recommend the use of technology to improve the audit coverage and efficiency and
- On a regular basis, meet separately with the Chief Audit Executive to discuss any matter that the Committee or internal audit believes should be discussed privately.

#### **4.3. External Audit performed by the Auditor – General**

- Review and evaluate the efficiency and effectiveness of the External Auditors in relation to their responsibilities;
- Ensure that there are no restrictions or limitations placed on the auditors;
- Review of the plan and scope of External Audit with regard to the critical risk areas and the sufficiency of audit coverage and procedures, including co-ordination with the IAA;
- Review of audit results, quality and contents of financial information and the action plans of Management;
- Review and confirm the independence of the External Auditors by reviewing the non-audit services provided and the auditor's assertion of their independence in accordance with Professional Standards;
- Consider significant disagreements between the External Auditors and Management;
- Consider material unresolved accounting and auditing problems;
- Review the External Auditor's fee arrangements; and
- Ensure direct access by the External Auditors to the Committee or Chairperson of the Committee and the Accounting Officer.

#### **4.4. Responsibilities relating to compliance and ethics**

##### **Values and ethics**

To obtain reasonable assurance with respect to the municipality's values and ethics practices, the audit committee will:

- Review and assess the policies, procedures and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and personnel of the municipality;
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all managers and personnel of the municipality
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulation, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.
- Review the effectiveness of the system for monitoring the compliance with laws and regulations and the results of Management's investigations and follow up for any instances of non-compliance;
- Ensure that a code of conduct is formalised in writing and to monitor management communication of the code to all employees, and monitor the compliance therewith; and
- Obtain regular updates from Management and legal counsel regarding compliance matters.

#### **4.5. Responsibilities relating to reporting**

The chairperson of the audit committee will report on a bi-annual basis, or more frequently if required, to the municipal council on the operations of the internal audit unit and the audit committee. The report should include:

- A summary of the work performed by the internal audit and the audit committee 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 audit committee.

The audit committee shall prepare a report annually which will be incorporated into the municipality's annual report:

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

The chairperson of the audit committee must submit a copy of its report at least annually, or at other intervals, to the Municipal Public Accounts Committee (MPAC), for consideration during the MPAC engagements on the oversight report. The chairperson of the audit committee must always be available whenever MPAC needs clarity on the report of the audit committee.

Therefore, the roles and responsibilities and outputs of the internal auditor and audit committee assist to inform the work of the MPAC and oversight structures.

#### **4.6. Responsibility relating to Performance management and reporting**

- Ensure that the Performance Management System (PMS) is implemented in accordance with the relevant legislation and monitor the performance objectives as set out in the approved PMS policy;
- Review the performance measurement quarterly reports submitted to it by the Internal Audit in terms of Regulation 14 (1)(c)(ii) of the Local Government: Municipal Planning and Performance Management Regulations; and shall engage departments to provide improvement plans for sub-standard performance. Make recommendations in this regard to the municipal council;
- Review the process for monitoring the attainment of specific goals and objectives developed by management in the Integrated Development Plan (IDP) / strategic operational plans;
- Review annual performance report of the Municipality prior to submission to the Office of the Auditor General;
- Commission in-depth performance investigations where there is either continued poor performance and/or, a lack of reliability in the information provided;
- Evaluate the adequacy, efficiency and effectiveness of the performance management process;
- Ensure that Management reports on the attainment of specific goals and objective/strategic plans;



- Conduct follow-up activities and monitor how Management has addressed and adhered to the internal and external audit findings;
- In discharging its responsibilities under these terms of reference, the Audit Committee will have due regard to the principles of good governance and financial management as contained in the MFMA and Treasury Regulations, as amended and to the principles of governance and code of best practice as contained in the King Report on Corporate Governance for South Africa 2016 (King IV) and
- At least twice during a financial year submit an audit committee report with regards to performance to the municipal council concerned. The format of reporting is upon discretion of the committee (i.e. verbal reporting or written report).

#### **4.7. Responsibilities regarding Risk Management**

To obtain reasonable assurance with respect to the municipality risk management practices, the committee will:

- Annually review the municipality's risk profile;
- Obtain from the Chief Risk Officer (CRO) an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process;
- Provide oversight on significant risk exposure and control issues, financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and ICT risks as it relates to financial reporting and the going concern of the municipality;
- The committee should consider risk management policies / plans and provide oversight on the risk management process;
- Committee should obtain appropriate assurance that controls are in place and effective in addressing risks and
- Provide oversight of the adequacy of the combined assurance being provided.

#### **4.8. Responsibilities – other**

- Membership of the Committee should be disclosed in the annual report of the Municipality;
- Confirm annually, by way of disclosure in the Municipality's annual report, that all responsibilities in terms of this charter have been carried out;
- Perform any other activities related to this charter as requested by Management;
- Institute and oversee special investigations as needed; and

- Review and assess the adequacy of the Committee charter annually, requesting the Accounting Officers approval for significant proposed changes only, and ensure appropriate disclosure as may be required by law or regulation. This charter may also be reviewed or amended if specific circumstances exist which necessitates such changes or amendments.

#### **4.9. Responsibilities regarding fraud**

To obtain reasonable assurance with respect to the municipality's procedures for the prevention and detection of fraud, the audit committee will:

- Oversee managements arrangements for the prevention and deterrence of fraud;
- Ensure that appropriate action is taken against known perpetrators of fraud and
- Challenge management and internal and external auditors to ensure that the municipality has appropriate anti-fraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

### **5. COMPOSITION**

The Committee will be composed of at least three (3) members and not more than five members all non-executive. The committee collectively should have sufficient qualification and experience to fulfil its duties.

Because the responsibilities of the audit committee evolve in response to regulatory, economic and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills in the committee in response to emerging needs.

No Councilor shall serve on the committee. Members will be selected for different areas of expertise and the roles and responsibilities of the Audit Committee will be used as the baseline in appointing members. The Committee collectively (not necessarily individually) should have:

- Private and public-sector experience;
- An understanding of service delivery priorities;
- Good governance and/or financial management experience;
- An understanding of the role of the Council and councillors;
- An understanding of local government;
- Familiarity with risk management practices;
- An understanding of internal controls;

- An understanding of major accounting practices and public-sector reporting requirements;
- An understanding of public sector reforms;
- Familiarity with legislation applicable to Municipalities;
- An 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
- An understanding of legal and information and communication technology

Member terms and conditions are disclosed in the letter of appointment.

**Other members will also include:**

- The Accounting Officer as ex-officio member;

The following persons are normally invited to attend **all** Committee meetings:

- An invitee from the Auditor-General;
- An invitee from the National Treasury;
- The Chief Audit Executive shall attend all the meetings;
- The Chief Financial Officer shall attend all the meetings;
- Executive Directors shall attend all the meetings;
- Performance Manager;
- Chief Risk Officer
- The chairperson of the MPAC will have a standing invite to the meetings.
- The Committee may also invite any such others, as it deems necessary.

Internal Audit shall provide a personnel member to act as a Secretary. The Secretary shall ensure that the Chairperson of the Committee verifies draft minutes and circulates the minutes of the Committee meetings to all members within two weeks of the Committee meeting.

The Audit Committee member will automatically be removed if he/she does not attend meetings or is inactive.

### **The Chair of the Audit committee**

The council will designate the chair of the audit committee

### **Term of office**

To enhance independence of the audit committee and in line with good governance practices, the term of office for members must be strictly adhered to.

The chairperson will be appointed for minimum of three years to ensure that he/she contributes most effectively and provides stability to the audit committee. Other audit committee members should serve at least a minimum of three years with an option to renew for another three years, based on performance.

Recruitment of members should be staggered to prevent a loss of knowledge and skills in the committee. The recruitment process of new members will be concluded at least three months in advance of the expiry of existing members term to allow proper hand over.

Members of the audit committee will not be contracted continuously for a period exceeding six years. After serving consecutively for six years, a cooling off period of two years will be provided for, before appointing the same member to the same audit committee.

## **6. VACATION OF OFFICE**

An Audit Committee member's service must/can be terminated during a term if that member:

- Resigns as a member of the Audit Committee. Members must give at least two months' notice before terminating their contract and members are encouraged to share their knowledge prior to vacating the seat on the Committee. An exit meeting will be held, by the council, with each member upon resignation.
- Is removed from the office as an Audit Committee member subject to the approval of the Council. Committee member contracts may be terminated by the Council under certain circumstances and where appropriate will be linked to the charter and member's performance.
- Fails to attend three consecutive Audit Committee meetings, except if the Audit Committee member submits a written apology and it is approved at the meetings.

The Council shall approve any termination of the services of a person serving on the audit committee.

## **7. SPECIAL SKILLS**

The Audit Committee shall consider co-opting specialist skills as and when necessary, to respond to a particular emerging risk. The basic skills that may always be considered in government environment are (i.e. legal, information and communication technology, public administration, environmental specialists and engineering).

## **8. AUDIT COMMITTEE VALUES**

The audit committee will conduct itself in accordance with the code of ethics of the municipality and relevant laws and regulation applicable to performance of the committee as issued from time to time by National Treasury and the department of cooperative government. The audit committee expects that management and personnel of the municipality will adhere to these requirements.

## **9. COMMUNICATION**

The audit committee expect that all communication with management and personnel of the municipality as well as with any external assurance providers will be direct, open and complete.

The committee will establish and communicate its requirements for information, which will include the nature, extent and timing of information. Information will be provided to the audit committee at least seven (7) days prior to each audit committee meeting.

## **10. WORK PLAN**

The audit committee chair will collaborate with senior management and the Chief Audit Executive to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out.

## **11. CONFLICT(s) OF INTEREST**

Audit committee members should adhere to the municipality's code of conduct and any values and ethics established by the municipality. It is the responsibility of audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.

## **12. ORIENTATION AND TRAINING**

Audit committee members will receive formal orientation training on the purpose and mandate of the committee and municipality's objectives.

The audit committee is expected to monitor municipality's risk, the integrity of the municipality's financial statements and internal controls, the qualifications and independence of the external auditors, the performance of both the internal audit function and external auditor, and the municipality's compliance with laws and regulations.

For the purpose of increasing awareness of governance issues and audit committee effectiveness, the municipality will allow members of the audit committee to attend at least one relevant, appropriate and accredited training/conference per annum.

The chairperson of the audit committee must give consent to the identified training/conference.

Training identified must promote audit committee and risk management best practices and help to complete a meaningful self-assessment of the municipality's governance process.

## **13. PREPARATION AND ATTENDANCE**

Audit committee members are obligated to prepare for and participate in committee meetings.

## **14. MEETINGS**

The Committee will meet at least four times a year with authority to convene additional meetings, as circumstances require. Meetings may be convened at the request of the Internal or External Auditors when considered necessary.

All committee members are expected to attend each meeting, in person or virtually as may be required.

The Chief Audit Executive, the Chief Financial Officer (CFO) and the representative from the Auditor General will sit in on all the Audit Committee meetings as ad hoc members and will have no voting rights. They will sit on as observers and on an advisory capacity to further enhance the accountability framework and independence of the Audit Committee and the internal audit function.

### **The Audit Committee should meet:**

During the external audit planning phase to review the scope and details of the audit plan and approve audit fees on the recommendation of the Audit Steering Committee.

At the conclusion of the external audit to review:

- The external audit opinion;
- The recommendations of the internal auditors and external auditors; and
- Any situations involving irregularities or weaknesses in the internal control structure.

## Minutes

Notice and agenda of meetings should be distributed at least one week before the meeting, along with appropriate briefing materials.

Committee Services under the Directorate: Corporate Services will provide a scribe for all the Audit Committee meetings and will keep and file all the minutes of the meetings. All activities of the Audit Committee will be a responsibility of Internal Audit assisted by Committee Services. However, whenever the Committee must discuss any sensitive matter, a member from the Committee will be elected to be a scribe for that particular meeting.

The Committee should meet privately with Internal Audit and the external auditors at least once a year.

The Chief Audit Executive should participate in Audit Committee meetings that focus on financial reporting or organisational governance and control.

The quorum for meetings will be three members.

## 15. REMUNERATION

The members of the audit committee shall be remunerated for time spent in attendance of audit committee meetings.

Guided by MFMA circular 65 as adopted. The following Clause applies:

***“Remuneration will only be applicable to officials employed outside the public service. 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 above will become effective for new members of audit committees, from the date of this Circular and for existing members, their current contracts will run its course”.***

Rates as published by SAICA from time to time has been adopted as rates applicable for remunerative purpose for audit committee.

## 16. EFFECTIVENESS OF THE AUDIT COMMITTEE

In order for the committee to remain effective, its objectives and responsibilities should come under annual performance evaluation by the Auditor General or competent agent appointed to carry the evaluation on his behalf to ensure that: -

- Its activities meet the Municipality's needs and that;
- Changes in the environment in which the municipality operates are considered on a timely basis.

The Auditor General will report on the effectiveness, efficiency and economy of the Audit Committee. The effectiveness of the audit committee will also be evaluated by the council on an annual basis.

## 17. APPROVAL

**Recommended by:** Ms. Karin De Klerk  
**Chief Audit Executive**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Accepted by:** Ms. Letlhogonolo Rapodile  
**Chairperson: Audit Committee**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Approved By:** Mr. BS Matlala  
**Municipal Manager**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date