



**MAKANA**  
MUNICIPALITY | EASTERN CAPE

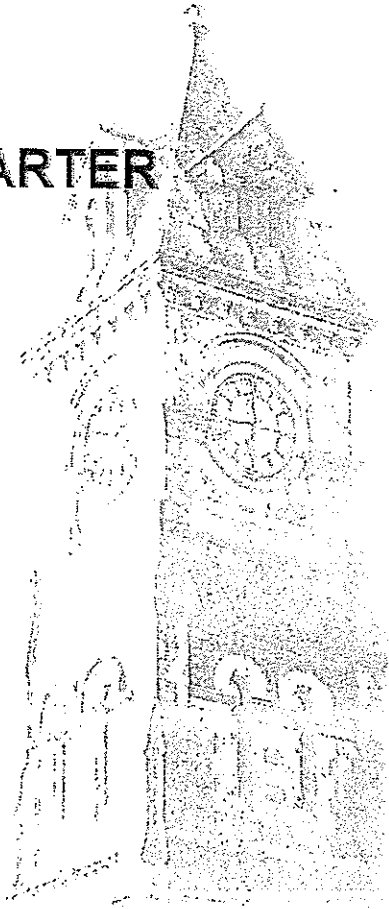
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## MAKANA MUNICIPALITY

# AUDIT AND RISK COMMITTEE CHARTER

18 APRIL 2018



**MAKANA MUNICIPALITY  
AUDIT AND RISK COMMITTEE CHARTER**

**TABLE OF CONTENTS**

<b>No</b>	<b>DESCRIPTION</b>	<b>PAGE NO</b>
1.	PURPOSE	3
2.	AUTHORITY	3
3.	RESPONSIBILITIES	4
4.	COMPOSITION OF THE AUDIT AND RISK COMMITTEE	9
5.	MEETINGS	10
6.	ATTENDANCE AND VOTING AT MEETINGS	11
7.	MINUTES OF MEETINGS	12
8.	REMUNERATION AND DISBURSEMENTS	13
9.	REVIEW PERIOD	13
10.	APPROVAL	13

# MAKANA MUNICIPALITY

## AUDIT AND RISK COMMITTEE CHARTER

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### 1. PURPOSE

1.1 The Code of Corporate Practices and Conduct published in the King IV Report on Corporate Governance 2017 requires management to publicly confirm that they have reviewed the effectiveness of the internal control of their organisation. The implementation of control and information systems is essential to the effective discharge of the management's responsibilities.

1.2 In terms of Section 166 of the Municipal Finance Management Act, 56 of 2003, "each municipality must have an Audit Committee".

1.3 The Audit and Risk Committee assists the Municipal Council (Council) in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the municipality's process for monitoring compliance with laws and regulations and the code of conduct. Section 3 provides a comprehensive list of the responsibilities of the Audit and Risk Committee.

1.4 This charter sets out the specific responsibilities of the Audit and Risk Committee and details the manner in which the Audit and Risk Committee will operate.

### 2. AUTHORITY

2.1 The Audit and Risk Committee is hereby established and authorised to conduct or authorise investigations into any matter within the scope of its responsibility.

2.2 The Council authorises the Audit and Risk Committee to fulfil the responsibilities as set out in this charter. In doing so, the Audit and Risk Committee is authorised to:

- have full and free unrestricted access to all the activities, records, property and staff of the municipality. All municipal employees are directed to cooperate with any request made by the Audit and Risk Committee; and
  - seek any information it requires from external parties, obtain outside legal or other independent professional advice and to secure the attendance of any person with relevant experience and expertise if it considers this necessary. Any such appointments shall be made subject to the procurement/supply chain management processes of the municipality, as well as consulting with the Municipal Manager on such matters.
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# MAKANA MUNICIPALITY

## AUDIT AND RISK COMMITTEE CHARTER

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### 3.7. Financial management

The Audit and Risk Committee shall:

- Review and assess the adequacy of reporting to the council by the accounting officer in terms of the quantity, quality and timing of information necessary to understand and report internally and externally on the municipality's risks, operations and financial condition.
- Review and assess the accounting policies and practices in the light of the applicable statutory requirements.
- Review the nature and impact of any changes in accounting policies during the year.
- Review and assess the annual financial statements of the municipality for completeness, consistency with information known to members and appropriate accounting principles.
- Review with management and the external auditors the results of the annual statutory audit, including any difficulties encountered.
- Review other sections of the annual report before release and consider the accuracy and completeness of information.

### 3.8 Risk Management

The Audit and Risk Committee shall understand and consider the major risk areas including the financial, legal and fiscal risks and the internal control environment. It shall monitor the control process and the adequacy of the system of internal control by reviewing Internal and External Audit reports and –

- being constantly aware of the current areas of greatest risk and ensure management are effectively managing the risks;
- satisfying itself that effective systems of accounting and internal control are established and maintained to manage risk;
- satisfying itself as regards the integrity and prudence of management control systems, including the review of policies and/or practices;
- ensuring that council and management are aware of matters that came to the Audit and Risk Committee's attention that might have a significant impact on the financial condition or affairs of the municipality;
- monitoring risks and ensuring that controls are in place to accomplish the objectives set out in the mission statement, business plan and any transformation processes;

# MAKANA MUNICIPALITY AUDIT AND RISK COMMITTEE CHARTER

- 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;
- monitoring developments and changes in the various rules, regulations and laws which relate generally to the municipal operations and to monitor and review the extent to which the municipality is complying with such laws;
- reviewing the process for communicating the code of conduct to the municipality's personnel, and for monitoring compliance therewith; and
- obtaining regular updates from management and where necessary, legal counsel regarding compliance matters.

## **3.11 Reporting Responsibilities**

Reporting responsibilities include, inter alia, the following:

- reporting to the council about committee activities, issues, and related recommendations when deemed appropriate;
- providing an open avenue of communication between internal audit, the external auditors, and the council;
- reviewing any other reports and issues that relate to committee responsibilities; and
- reporting on an annual basis (in the Annual Report), describing the committee's composition, confirming that all responsibilities outlined in this charter have been carried out, reporting on the effectiveness of internal controls and commenting on its evaluation of the financial statements.

The Audit and Risk Committee may forward specific Audit and Risk Committee meeting minutes and reports to the council.

Any material findings shall immediately be reported to the Municipal Manager, the Auditor-General and to the Executive Mayor, if appropriate. Where appropriate the Audit and Risk Committee may also report to higher authorities.

## **3.12 Responsibilities related to the Internal Audit Function**

The Audit and Risk Committee shall concur with the appointment, replacement and /or dismissal, of the head of the internal audit unit. In the event of replacement, dismissal, resignation or early retirement of the head of the internal audit unit, the full detail of the

# MAKANA MUNICIPALITY AUDIT AND RISK COMMITTEE CHARTER

- review the performance of the external auditors; and
- meet separately with the external auditors to discuss matters that the committee or the auditors believe should be discussed privately.
- identify key matters arising in the current year's management letter and satisfy itself that these are being addressed properly.

### 3.14 Responsibilities related to the Municipal Public Accounts Committee (MPAC)

The Audit and Risk Committee shall:

- Submit all reports received to the MPAC to assist in its functions and to capacitate the MPAC.
- A Chairperson or delegated may be required to attend some meetings on invitation.

### 3.15 Other responsibilities

The Audit and Risk Committee shall:

- perform or undertake on behalf of the municipality any such other tasks or actions as the municipality may from time to time authorise;
- review and revise the charter annually or as and when the need arises; and
- evaluate the committee's and individual members' performance at least annually.

## 4. COMPOSITION OF AUDIT AND RISK COMMITTEE

4.1 The Audit and Risk Committee shall consist of at least three members with appropriate experience and a maximum of four. Audit and Risk Committee members are appointed by Council. All members may not be in the employ of the municipality or another municipality i.e. they must be independent, non-executive members. The chairperson should ideally have requisite local government background and experience in finance, accounting and auditing matters. The Audit and Risk Committee may, upon council approval, co-opt additional members onto the committee e.g. performance management, information technology experts or an engineer.

4.2 Members of the Audit and Risk Committee should have an enquiring attitude and an understanding of the finances, operations and statutory requirements governing the municipality. Members should demonstrate sound judgement and objectivity, and where necessary, members should obtain the requisite assistance to effectively discharge their responsibilities. In this regard, the Audit and Risk Committee may co-

**MAKANA MUNICIPALITY  
AUDIT AND RISK COMMITTEE CHARTER**

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chairperson or any member of the Audit and Risk Committee or Council, or by the external or internal auditors.

5.3 Notice of meetings shall be given to all members at least fourteen days prior to the date of any meeting. In the case of special Audit and Risk Committee meetings the notice period may be less than fourteen days.

5.4 An agenda of items for discussion, together with any supporting documents and information, shall be distributed to all members of the Audit and Risk Committee, other interested members of the Council, and parties attending the meeting, at least seven days prior to the date of the meeting.

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5.5 Supplementary agenda items shall only be permitted upon agreement of the members attending any Audit and Risk Committee meeting and/ or at the discretion of the chairperson.

5.6 If a member, with or without an apology, does not attend three meetings of the Audit and Risk Committee in succession; Council shall be requested to appoint a replacement.

**6. ATTENDANCE AND VOTING AT MEETINGS**

6.1 The secretariat shall, at least seven days prior to any meeting, ensure that sufficient members shall be present at the meeting to satisfy the quorum requirement.

6.2 A quorum of any meeting will be two members of the Audit and Risk Committee (where only 3 members are appointed) or 50% of members plus 1 (where 4 or more members are appointed).

6.3 If the chairperson of the Audit and Risk Committee is absent from a specific meeting, the members present shall elect a chairperson from the members present to act as chairperson for that meeting.

6.4 The chairperson of the Audit and Risk Committee shall invite the appropriate representatives of the external and internal auditors, to attend its meetings, while the Municipal Manager, and the Chief Financial Officer shall be standing invitees to meetings.

**MAKANA MUNICIPALITY  
AUDIT AND RISK COMMITTEE CHARTER**

regulations governing such payment for services rendered and prevailing council-approved rates/ tariffs.

- 8.2 Reimbursement for any reasonable expenditure incurred by Audit and Risk Committee members shall be considered by the municipality at the conclusion of every meeting. Such reimbursement shall also be at the entire discretion of the Council, and in compliance with any statutory regulations and council-approved rates/ tariffs governing such payment for expenditure incurred, and shall be paid against documentary proof thereof.

**9. REVIEW PERIOD**

~~This charter will be reviewed as when the need arises on annual basis and will be submitted to council for approval.~~

**10. APPROVAL**

This Audit and Risk Committee Charter has been approved by Council accordingly:



**CLIFF N. GAGA**

**EXECUTIVE MAYOR**

**Date:**



**MR. DM. PILLAY**

**ACTING MUNICIPAL MANAGER**

**Date:**