



# TSWELOPELE

LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

## AUDIT, PERFORMANCE AND RISK COMMITTEE CHARTER 2020/2021



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**Abbreviations:**

AGSA	–	Auditor General of South Africa
CoGTA	–	Department of Corporate Governance and Traditional Affairs
AFS	–	Annual Financial Statements
APRC	–	Audit, Performance and Risk Committee
MM	–	Municipal Manager
CFO	–	Chief Financial Officer
CAE	–	Chief Audit Executive
TLM	–	Tswelopele Local Municipality
SCM	–	Supply Chain Management
PMS	–	Performance Management System
KPI	–	Key Performance Indicator
MSCOA	–	Municipal Standard Chart of Accounts
MFMA	–	Municipal Finance Management Act

<b>FUNCTION</b>	<b>INITIAL AND SURNAME</b>	<b>DESIGNATION</b>
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## 1 GLOSSARY

### 1. Control

Any action taken by management to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

### 2. Adequate Control

Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

### 3. Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

### 4. Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

### 5. Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

### 6. Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

### 7. Engagement Opinion

The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

8. Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance and compliance engagements.

9. Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

10. Governance

The combination of processes and structures implemented by the Council to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

11. Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

12. Risks

Any threat or event that has a reasonable chance of occurrence in the future, which could undermine the Municipality's pursuit of its goals and objectives. Risk Manifest as negative impacts on goals and objectives or as missed opportunities to enhance Municipality performance.

13. Risk Management

Risk management is a continuous, proactive and systematic process, affected by a TLM's Mayor, Municipal Manager, Management and other personnel, applied in strategic planning and across the TLM, designed to identify potential events that may affect the TLM, and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of TLM objectives.

14. Enterprise Risk Management

Enterprise risk management (ERM) is the application of risk management throughout the TLM rather than only in selected business areas or disciplines.

15. Risk Assessment

The process concerned with determining the magnitude of risk exposure by assessing the likelihood of the risk materializing and the impact that it would have on the achievement of objectives.

16. Risk Identification

The process concerned with identifying events that produce risks that threaten the achievement of objectives.

17. Strategic Risks

Any potential obstacles that may impact on the ability of the TLM to achieve its strategic objectives.

18. Risk Response

The process concerned with determining how the TLM will mitigate the risks it is confronted with, through consideration of alternatives such as risk avoidance, reduction, risk sharing or acceptance.

19. Monitor

The process of monitoring and assessing the presence and functioning of the various components overtime.

20. Risk Champions

The Risk Champion is a person with the skills, knowledge and leadership required to champion the risk management cause.

21. Executive Authority

The Member of the Council of a Municipality who is accountable to the provincial legislature for the TLM.



## 2 PURPOSE

The purpose of these terms of reference is to set out the Audit, Performance and Risk Committee's role and responsibilities, as well as the requirements for its composition and meeting procedures. This is done in accordance with the applicable National and Local Government Legislation and Regulations.

The purpose of the Audit, Performance and Risk Committee is the following:

1. To ensure that effective, efficient and transparent systems of financial and risk management and internal control are maintained by the Council, which contribute to the efficient and effective utilization of resources, safeguarding of assets and the accomplishments of established goals for operations or programs.
2. To promote the efficiency and effectiveness of accounting and management information systems.
3. To ensure that, in accordance with the Municipal Council's public accountability, that justifiable decisions pertaining to Municipal service delivery are taken as indicated in policy statements and best practices.
4. To create a distinct and clear communications channel between the Council, management, external auditors and internal auditors.
5. To inform the Management and Municipal Council regarding challenges which must be addressed concerning the preparation of the financial statements and performance report.
6. To monitor the effectiveness of the Internal Audit Unit.
7. To enhance the objectivity and credibility of reporting to stakeholders.

### **3 LEGAL FRAMEWORK**

#### **3.1 The Constitution of the Republic of South Africa**

(Act 108 of 1996) Section 195 (1) Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

1. A high standard of professional ethics must be promoted and maintained.
2. Efficient, economic and effective use of resources must be promoted.
3. Public administration must be development-orientated.
4. Services must be provided impartially, fairly, equitably and without bias.
5. People's needs must be responded to, and the public must be encouraged to participate in policy-making.
6. Public administration must be accountable.
7. Transparency must be fostered by providing the public with timely, accessible and accurate information.
8. Good human-resource management and career-development practices, to maximize human potential, must be cultivated.
9. Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

#### **3.2 Municipal Finance Management Act No. 56 Of 2003**

##### Section 166: Audit committees

1. Each municipality must have an audit committee.
2. The audit committee must:
  - a) Consist of at least three members with appropriate experience, of whom the majority may not be in the employment of the municipality,

- b) Meet as often as is required to perform its functions, but at least four times a year.
3. The members of the committee must be appointed by the municipal council. One of the members, who is not in the employment of the municipality must be appointed as the chairperson of the Audit Committee. No councilors may be members of the committee.

### **3.3 Local Government: Municipal Planning and Performance Management Regulations, 2001**

1. A municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.
2. A performance audit committee appointed must include at least one person who has expertise in performance management.
3. A municipality may utilise any audit committee established in terms of either applicable legislation as the performance audit committee.
4. The council of a municipality must designate a member of the performance audit committee who is not a councillor or an employee of the municipality as chairperson of the committee.
5. If the chairperson of the performance 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.
6. In the event of a vacancy occurring amongst the members of the performance audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

## 4 KING IV MUNICIPAL AUDIT COMMITTEE GUIDANCE

1. The establishment of an audit committee is a statutory requirement for some organisations. As a matter of leading practice, the governing body of any organisation that issues audited financial statements should consider establishing an audit committee, the role of which should be to provide independent oversight of among others:
  - a) The effectiveness of the organisations assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function; and
  - b) The integrity of the annual financial statements and, to the extent delegated by the governing body, other external reports issued by the organisation.
2. A statutory audit committee has the power to make decisions regarding its statutory duties, and is accountable for its performance in this regard. In addition to its statutory duties, the governing body may delegate other responsibilities to the audit committee, such as the approval of the annual financial statements, but the governing body remains ultimately accountable for such delegated responsibilities.
3. If the governing body delegates risk governance to the audit committee, the audit committee should satisfy itself that it dedicates sufficient time to this responsibility.
4. Whether or not the governance of risk is delegated to the audit committee, the audit committee should oversee the management of financial and other risks that affect the integrity of the external reports issued by the organisation.
5. The member of the audit committee should, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively.
6. All members of the audit committee should be independent, non-executive members of the governing body.

7. The governing body should appoint an independent, non-executive member to chair the audit committee.
8. The audit committee should meet annually with the internal and external auditors respectively, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

## **5 INDEPENDENCE OF THE AUDIT, PERFORMANCE AND RISK COMMITTEE**

The Audit, Performance and Risk Committee is an independent body established to advise the Municipal Council the Political Office-bearers, the Accounting Officer and the Management staff of the municipality. Its primary responsibilities are to assist the Municipal Council and the Management in carrying out their duties with relation to the municipality's accounting policies, internal control, financial reporting practices, compliance with legislation, risk management practices and municipal performance.

Effective Audit, Performance and Risk Committee should have the following characteristics:

1. Independence and competency of appointed members.
2. Adequate training and resources.
3. Sufficient frequency of meetings and special meetings.
4. Evaluation of:
  - a) Risk management;
  - b) Internal control systems;
  - c) Internal audit; and
  - d) External audit;
5. Unrestricted access to internal and external audit.
6. Unrestricted access to Municipal documents.

Some of the benefits of an effective Audit, Performance and Risk Committee are the following:

1. Improved communication channels between Councilors, Senior Management, Internal and External auditors.
2. Users of the municipality's financial information are reassured about the credibility and objectivity of financial statements and standards of corporate governance.
3. It strengthens the independence of the internal and external audit functions.
4. It promotes improved effectiveness, efficiency and economy of operations.
5. It promotes better financial management.
6. It helps councilors and management fulfil their legal responsibilities.

## **6 COMPOSITION**

The Audit, Performance and Risk Committee of Tswelopele Local Municipality is composed of four (4) independent members. One of the appointed members serves as the Chairperson of the Audit, Performance and Risk Committee.

Each committee member will be independent, financially literate and have the knowledge of municipal performance activities. At least one member shall be designated as the "financial and risk expert," as defined by applicable legislation and regulation.

Members shall also be qualified in different fields such as (Accounting, Financial Management, Municipal Finance, Performance Audit, Internal and External Audit, Information and Technology Communication, Risk Management and Legal Background).

A municipality must annually budget for the audit, risk and performance committee and must include at least one person who has expertise in performance management.

## **7 INDUCTION OF MEMBERS**

A formal process of induction must be facilitated by the head of Internal Audit in consultation with the Accounting Officer. During the induction of members, the roles and

responsibilities of the Audit, Performance and risk committee must be clarified. The induction process should entail sufficient briefings and information on their roles, responsibilities, accountability and management's expectation.

## **8 MEETINGS**

### **8.1 Frequency of the meeting:**

1. The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
2. All committee members are expected to attend all the meetings arranged by the chairperson of the committee. Should one of the committee members be absent in two consecutive meetings, the chairperson will have to take reasonable steps stipulated in the Standing Rules and Orders of the Council to ensure appropriate attendance of the scheduled meetings.
3. A special meeting of the Audit, Performance and risk committee may be called by any member of the committee.

### **8.2 Invitation**

The following officials must have a standing invitation to the Audit, Performance and Risk Committee and attendance all meetings:

1. Municipal Manager;
2. Chief Financial Officer;
3. Director Corporate Services;
4. Director Community Services;
5. Director Technical Services;
6. Head of Internal Audit;
7. Chairperson of MPAC;
8. External Auditors (AGSA);
9. Provincial Treasury;
10. Strategic Manager;
11. Risk and Compliance Officer;

12. Cooperative Governance and traditional Affairs (CoGTA); and
13. Any other person on invitation by the chairperson of the Committee.

The committee will have access to hold private meetings with Internal Auditors, External Auditors and Executive Committees.

The secretariat of the Audit, Performance and Risk Committee must ensure that the required preparation for the meeting of the Audit, Performance and Risk Committee is finalised at least 7 days before the commencement of the meeting and that substantive work would be undertaken for the duration of the meeting.

### **8.3 Secretariat**

The secretariat responsibilities of the Audit, Performance and Risk Committee are to be performed by the Internal Audit Unit and the Risk Management Unit or otherwise as determined by the Municipal Manager. This includes:

1. all administrative support to the Audit, Performance and Risk Committee meetings;
2. sending invitations and documentation to members;
3. coordinating and compiling of Audit, Performance and Risk Committee meeting documentation;
4. taking minutes of the Audit, Performance and Risk Committee meetings;
5. preparing all logistical arrangements relating to Audit, Performance and Risk Committee meetings;
6. Special confidential meetings should be at the discretion of the chairperson of the Audit, Performance and Risk Committee.

### **8.4 Quorum**

The quorum requirement for the Audit, Performance and Risk Committee will be 50% plus 1, i.e. three members of the Audit, Performance and Risk Committee out of the four members.



The quorum can also be met through attending each meeting in person or via accepted communication tool that will be documented in the minutes. Sittings of the audit committee meetings by electronic means must be recorded, and recordings must be stored.

## 8.5 Remuneration of members

1. Audit, Risk and Performance Committee members shall be remunerated in line with rates provided by the National Treasury from time to time.
2. Audit, Risk and Performance Committee members shall be reimbursed **R750-00** per meeting for data used during online or virtual meetings.

## 8.6 Minutes

Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the audit, risk and performance committee meeting.

## 9 AUTHORITY

The Audit, Performance and Risk Committee is authorized to:

1. Pre-approve all internal audit (consulting) activities;
2. To oversee the work performed by the Internal Audit Unit of the municipality;
3. To resolve any disagreement between Management and Internal Audit Unit;
4. To resolve any disagreement between Management, External Auditors (Auditor General of South Africa) regarding financial reporting;
5. To gather any relevant information it requires from internal or external sources;
6. To request legal advice and professional advice, in consultation with the Municipal Manager when required;
7. Investigate any activity within its terms of reference;

8. To initiate special investigations per Municipal Finance Management Act, Section 166 in consultation with the Municipal Manager; and
9. To have free access to municipal financial records and other relevant information of the municipality it needs for its mandate and will safeguard all information supplied to it, in full compliance with the law.
10. To have direct and unobstructed lines of communication to all relevant stakeholders within the Municipality including the Internal Audit Function.

## **10 ROLES AND RESPONSIBILITIES OF THE AUDIT, PERFORMANCE AND RISK COMMITTEE**

The Audit, Performance and Risk Committee as an independent advisory body must:

1. Advise the Municipal Council, the Political Office Bearers, the Accounting Officer, and Management Staff of the municipality, on matters relating to:
  - a) Internal financial controls and internal audits;
  - b) Risk management;
  - c) Accounting policies;
  - d) The adequacy, reliability and accuracy of financial reporting information;
  - e) Performance management;
  - f) Effective governance;
  - g) Compliance with acts, Division of Revenue Act, and any other applicable legislation;
  - h) Performance evaluation;
  - i) Information and Communication Technology; and
  - j) Any other issues referred to by the municipality.
2. Advise the Municipal Council, the Political Office Bearers, the Accounting Officer, and Management Staff of the municipality, on matters relating to:

- a) the Annual Financial Statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency, effectiveness and its overall level of compliance to applicable principles and legislation;
  - b) Respond to council on any issues raised by the Auditor General in their audit report; and
  - c) Perform any other function as may be prescribed.
3. The Audit, Performance and risk committee may determine its own procedures after consultation with the **Mayor or the Council of the municipality**, as the case may be.
4. An Audit, Performance and risk committee must-
- a) review the quarterly Performance reports as submitted;
  - b) review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
  - c) at least twice during a financial year submit a report on the activities to the municipal council.
5. In reviewing the municipality's performance management system in terms of paragraph (4) (c), the Audit, Performance and risk committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.
6. An Audit, Performance and risk committee may-
- a) Communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned.

## 11 INTERNAL AUDIT

The Audit, Performance and Risk Committee must in relation to the Internal Audit:

1. Ensure that the charter, independence and activities of the internal audit function are clearly understood and respond to the objectives of the municipality and the legal framework;
2. Regularly review the functional and administrative reporting lines of the internal auditor to ensure that the organizational structure is consistent with the principles of independence and accountability;
3. Review and approve the internal audit charter, including internal audit strategic plan; confirm that the annual audit plan makes provision for critical risk areas in the municipality;
4. Advise the municipality on resources allocated to give effect to the work outputs of the internal audit function;
5. Ensure that there is support for the internal audit unit and external auditors from senior management;
6. Confirm with management that internal audit findings are submitted to the Audit, Performance and Risk Committee on a quarterly basis;
7. Confirm actions taken by management in relation to the audit plan;
8. Consider and review reports relating to difficulties encountered during the course of audit engagements, including any scope limitation or access to information reported to the accounting officer that remain unresolved;
9. Evaluate the performance of internal audit activity in terms of the agreed goals and objectives as captured in the audit plan;
10. Ensure that senior internal audit has reasonable access to the chairperson of the Audit, Performance and Risk Committee;
11. Conduct a high-level review of internal audit on an annual basis; to ascertain whether the internal audit unit complies with the International Standards for the Professional Practice of Internal Auditing; and
12. Concur with any appointment and termination of the services of the chief audit executive.

## **12 EXTERNAL AUDIT**

The Audit, Performance and Risk Committee must in relation to external audit:

1. Take cognizance of the scope of work undertaken by the external auditor and the extent of co-ordination with the internal audit unit;
2. Review annual external audit plans, audit fees and other compensation;
3. Review any interim reports issued in order to take cognizance of the issues raised in determining the follow up work of the internal audit;
4. Conduct a review of the of the extent to which previously reported findings by the external auditor have been addressed by the municipal council;
5. Provide advice to the accounting officer on actions to be taken relating to significant matters raised in external audit reports;
6. Liaise with the external auditors on any matter that the Audit, Performance and Risk Committee considers appropriate to raise with the external auditor;
7. Ensure that the external auditors have reasonable access to the management and Chairperson of the Audit, Performance and Risk Committee;
8. Address any potential restrictions or limitations with the accounting officer and council; and
9. Address outstanding matters raised by the external auditors and ensure that all findings are dealt with conclusively in an expeditious manner.

### **13 ANNUAL FINANCIAL STATEMENTS**

The Audit, Performance and Risk Committee must review the annual financial statements to provide assurance to the municipality by:

1. Confirming if the municipal audit file is prepared in line with the applicable standards and guidance contained in MFMA Circular 50, or as updated;
2. Reviewing the unaudited annual financial statements of the municipality and to ensure that the quality, integrity and content is consistent with applicable standards and compliant with the legal framework;
3. Evaluating the annual financial statement of the municipality for reasonableness, completeness and accuracy, and provide comment thereon, on a timely basis;
4. Reviewing efficiency and effectiveness of internal controls over AFS preparation and reporting.

Specifically with regards to Annual Financial Statements, the Audit, Performance and Risk Committee should:

Review and challenge where necessary:

1. Arithmetical accuracy and consistency;
2. Consistency of, and any changes to, accounting policies, comparing to prior years;
3. Methods used to account for significant or unusual transactions where different approaches are possible;
4. Whether the Municipality has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account previous audit outcomes;
5. The quality of disclosure in the Municipality's financial reports and the context in which statements are made;
6. All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
7. All material issues in prior reports by the AGSA have been appropriately accounted for, resulting in fair presentation;
8. Conduct analysis of trends and other financial ratio calculations e.g. year-on-year comparisons and composition of primary group e.g. salaries as a component of operations, whether operations are undertaken on a sustainable basis, operations at surplus or deficit, efficiency and solvency ratios, etc.

## **14 RISK MANAGEMENT ACTIVITIES**

The Municipal Finance Management Act (Act No. 56 of 2003) sections 62(1)(c)(i) and 95(c)(i) requires the Accounting Officer to ensure that their municipality has and maintains effective, efficient and transparent systems of risk management.

In reviewing the municipality's risk management activity the primary objective of the Committee will be to assist the Accounting Officer in discharging his/her accountability for

risk management by reviewing the effectiveness of the municipal risk management systems, practices and procedures, and providing recommendations for improvement. In discharging its roles and responsibilities relating to risk management activities, the duties of the Committee shall be to:

1. Set out the nature, role, responsibility and authority of the risk management division within the Municipality for approval by the Council, and oversee the performance of the risk management division;
2. Review the risk management policy and strategy and recommend for approval by the Council;
3. Review the risk appetite and tolerance and recommend for approval by the Council;
4. Review the Municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
5. Evaluate the effectiveness of mitigating strategies to address the material risks of the Municipality;
6. Report to the Municipal Manager any material changes to the risk profile of the Municipality;
7. Review the fraud prevention policy and Strategy and recommend for approval by the Council;
8. Evaluate the effectiveness of the implementation of the fraud prevention plan;
9. Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses;
10. Develop goals, key performance indicators and objectives for the Committee for approval by the Municipal Manager;
11. Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity.
12. Provide reports to the Municipal Manager on the state of risk management, together with aspects requiring improvement accompanied by the Committee's recommendations to address such issues.

It is expected that the Audit, Performance and Risk Committee will provide an independent and objective view on the effectiveness of the municipality's risk management and provide feedback to the Accounting Officer and municipal council.

## **15 CONTROL ENVIRONMENT**

The Audit, Performance and Risk Committee members need to have a good understanding of the control environment, in fulfilling this responsibility the committee should:

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

## **16 PERFORMANCE MANAGEMENT**

The Audit, Performance and Risk Committee members need to have a good understanding of the performance of the municipality. These include:

1. Review and comment on compliance with statutory requirements and performance management best practices and standards;
2. Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements;



3. Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the municipality;
4. Reviews compliance with in-year reporting requirements;
5. Review the quarterly performance reports submitted by internal audit;
6. Reviews and comments on municipality's annual financial statements and timely submission to the Auditor-General by 31 August, each year;
7. Review and comment on the municipality's annual reports within the stipulated timeframes; and
8. Review and comment on the municipality's performance management system and make recommendations for its improvement.

## **17 INFORMATION TECHNOLOGY (IT) GOVERNANCE**

The Audit, Performance and Risk Committee also needs to provide advice on IT governance, controls, access and safeguarding of information in the municipality.

Specific expertise may be required from within or outside the municipality from time to time, to assist the internal audit unit and Audit, Performance and Risk Committee formulate recommendations on systems and controls.

The committee may have to advise on the appropriateness of disaster recovery and continuity plans supporting IT risks, regular testing and evaluation of plans, systems and processes.

## **18 RELATIONSHIP WITH STAKEHOLDERS**

The Audit, Performance and Risk Committee is required to maintain good relations with key stakeholders, such as:

1. Municipal Council;
2. Municipal Public Accounts Committee (MPAC);
3. Finance Committee;
4. Accounting Officer;

5. Management and staff;
6. Internal Auditors and External Auditors;
7. Provincial Treasury; and
8. National Treasury.

## **19 PERFORMANCE EVALUATION**

It is important for the Audit, Performance and Risk Committee to assess its impact on the effectiveness to Council, Management, the municipality and ultimately the community. This should be done by way of Management, Council Committee (MPAC) and self – evaluation in line with National Treasury Regulations and Guidelines.

An effective Audit, Performance and Risk Committee should conduct continual self-assessments in order to measure its performance.

Evaluation criteria will include the following:

1. Expertise;
2. Inquiring attitude, objectivity, and independence;
3. Judgment;
4. Knowledge of local government and its objectives;
5. Understanding of and commitment to the committee's duties and responsibilities;
6. Devotion of time in order to participate effectively in committee deliberations and decisions;
7. Timely responses; and
8. Attendance at meetings.

The results of the performance should be reviewed by the Audit, Performance and Risk Committee and Council in order to determine what actions if necessary are to be taken.

Evaluations that are carried out properly demonstrate the committee's intention to meet its objectives in an effective and efficient manner.

## **20 REPORTING**

The reporting requirements of the Audit, Performance and Risk Committee are as follows:

1. The Audit, Performance and Risk Committee should report to Council about committee activities and make appropriate recommendations on a quarterly basis as well as on an annual basis.
2. The Audit, Performance and Risk Committee should inform the Council in respect of matters, which may significantly impact the financial condition or affairs of the municipality as and when necessary.

## **21 CONFLICT OF INTEREST**

The conflict of interest will always be on the agenda of each Audit, Performance and Risk Committee meeting to determine if there is any and the nature thereof.

The Audit, Performance and Risk Committee will sign and submit the municipal Declaration of Interest Form annually.

## **22 TERM OF OFFICE OF MEMBERS**

To enhance independence of the Audit, Performance and Risk Committee, the term of office for members must be strictly adhered to:

1. Audit, Performance and Risk Committee Members will be appointed by Council for a term of three years.
2. At the discretion of Council, the contract of Audit, Performance and Risk Committee Members may be extended up to a maximum of three additional years.
3. Audit, Performance and Risk Committee Members should not be contracted continuously for a period exceeding six years in any capacity.

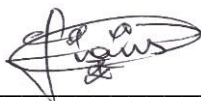
4. After serving consecutively for six years, a cooling off period of two years should be provided for, before appointing the same member to the same Audit, Performance and Risk Committee.
5. The Audit, Performance and Risk Committee Members shall appoint a Chairperson amongst themselves.
6. The Chairperson shall serve a maximum of three years to ensure that he/she contributes most effectively and provides stability to the Audit, Performance and Risk Committee.
7. Rotation of members is encouraged as it enhances the independence of the Audit, Performance and Risk Committee and Members are encouraged not to terminate their contracts until they have shared their knowledge with other new members.

## **23 REVIEW OF THE CHARTER**

The reviewing and amending of the Audit, Performance and Risk Committee Charter is the responsibility of the Audit, Performance and Risk Committee in conjunction with the internal audit function. Therefore, it should be reviewed annually (or when the need arises) and be approved by the Municipal Council.

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Developed, reviewed by and signed on behalf of Internal Audit Unit:



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**VJ Frans**

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18 June 2020

**DATE**

**SENIOR INTERNAL AUDITOR**

Duly approved by and signed on behalf of the Audit, Performance and Risk Committee:

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**DS. Nage**

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**DATE**

**CHAIRPERSON: AUDIT, PERFORMANCE AND RISK COMMITTEE**

Duly authorised thereto by resolution of the council and signed on behalf of Tswelopele Local Municipality:

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**MRE Mogopodi**

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**DATE**

**MUNICIPAL MANAGER**