



**NGQUSHWA LOCAL MUNICIPALITY  
AUDIT, RISK, ICT AND PERFORMANCE COMMITTEE CHARTER  
DATE OF REVIEW.....**

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## 1. CONSTITUTION

- 1.1 This charter reference to Ngqushwa Municipal Council as Council.
- 1.2 The Audit, Risk, ICT and Performance Committee (hereafter referred as Committee) is constituted in terms of section 165 of the Municipal Finance Management Act, 56 of 2003. It is an independent body that reports to the Ngqushwa Local Municipality Council (hereafter referred as Council) to assist the Council in discharging its duties relating to the safeguarding of assets, the operation of adequate system of controls, risk management, governance processes and the preparation of accurate financial reporting and statement in compliance with the applicable legal requirements and accounting.
- 1.3 The membership, resources, roles and responsibilities and authorities of the Committee are stipulated in these terms of reference, which may be amended by the Council from time to time.
- 1.4 The Committee is also constituted in terms of requirement of King III and operates within that framework.
- 1.5 The Audit, Risk, ICT and Performance Committee shall execute its function through close liaison and communication with management, the internal and external auditors.
- 1.6 The Audit, Risk, ICT and Performance Committee has non-executive status in an advisory capacity to the Council and. It shall not perform any management functions or assume any management responsibilities and shall have an objective independent role, operating as overseer and making recommendations to the Council for its approval or final decision. The Council retains responsibility for implementing such recommendations.

## 2. MANDATE

The broad mandate of the Audit, Risk, ICT and Performance Committee is as following:

- 2.1 To advise the Council, the Accounting Officer and other municipal officials on matters relating to the Committees' roles and responsibilities as outlined in this Charter;
- 2.2 To consider matters relating to management and the Council in the discharge of their duties to safeguard assets, operate adequate systems of controls;
- 2.3 Overseeing the integrity of the municipality's financial statements and the accounting and financial reporting processes and financial statements audits
- 2.4 Oversee the performance of the municipality's independent auditor (Auditor General) and internal audit function.
- 2.5 Oversee the municipality's compliance with legal and regulatory requirements;
- 2.6 Oversee the municipality's systems of disclosure controls and procedures, internal control over financial reporting and compliance with ethical standards adopted by the council.

The management of the Ngqushwa Local Municipality is responsible for the preparation, presentation and integrity of the municipality's financial statements and for the effectiveness of internal control over financial reporting. Management with the assistance from the internal audit unit(as stipulated in the Internal Audit Charter) are responsible for maintaining appropriate accounting and financial reporting principles , policies ,internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the municipality and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or financial management or procedures.

The Committee will primary fulfils its responsibilities by carrying out the activities enumerated in sections below of this charter.

## 3. COMPOSITION

- 3.1 The members and Chairperson of the Committee shall be appointed by Council and shall perform its duties for a period of three years from the date of appointment.
- 3.2 The Committee will comprise of at least three non-council members who are not in the employment of the municipality with appropriate experience

- 3.3** The council shall appoint the Chairperson from among the members of the Committee and determine the period for which he/she shall hold the office.
- 3.4** The Chairperson of the Committee;
- 3.4.1. shall not be a political office bearer.
  - 3.4.2. must be independent, be knowledgeable of the status of the position and have requisite business, financial and leadership skills.
  - 3.4.3. shall be suitable qualified and competent with relevant knowledge of municipal legislation.
  - 3.4.4. Non-Members attending Ex-Officio:
    - a. The Municipal Manager, the Chief Financial Officer and the Executive Managers.
    - b. Representatives from the Auditor-General and (where applicable) N/A because external auditors are same as Auditor-General Representatives from internal audit.
    - c. The members referred to in (a) and (b) above, shall be represented by their respective nominees only when the principal members are absent or engaged elsewhere.
    - d. Other members of management may be invited to attend Committee meetings when there is a functional responsibility to be discussed.
    - e. The Committee may also invite such other persons as it deems necessary to address particular agenda items to be considered.
    - f. Mayor and MPAC Chairperson will be permanent invitees to the Committee meeting but may not direct the meeting.
- 3.5** The Council must approve any premature termination of the services of a person serving on the Committee.
- 3.6** No member of the Audit, Risk, ICT and Performance committee may serve in more than three (3) Audit committees of local government simultaneously, (inclusive of Ngqushwa Municipality Audit, Risk, ICT and Performance Committee).

#### **4. MEETINGS**

- 4.1 The Audit, Risk, ICT and Performance Committee shall meet at least four times per year and more frequent as circumstances dictate.
- 4.2 The quorum for the Committee meetings will be two members, provided that no meeting shall be held if less than two of members mentioned in 3.2 above are present.
- 4.3 The secretary shall, at least seven days prior to any meeting, ensure that sufficient members shall be present at the meeting to satisfy the quorum requirement.
- 4.4 The Chairperson shall call any additional meetings as deemed necessary, particularly if requested by the internal and / or external auditors, management and any Audit, Risk, ICT and Performance Committee member.
- 4.5 If a member, with or without an apology, does not attend three (3) meetings in succession of the audit, Risk, ICT and Performance committee, and does not attend three (3) schedule audit, Risk, ICT and Performance committee meetings in a calendar year, the council shall call the member before a hearing of the Council and consider his/her reasons for non-attendance and then make an objective decision as to their continued member status based on the outcome of the hearing. The Chairperson shall, in writing, raise a concern with the said member after the second consecutive meeting by that member.
- 4.6 If the Chairperson of the Audit, Risk, ICT and Performance 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.
- 4.7 The Committee shall consider the necessity of meeting separately from time to time with management, the external and internal auditors, to discuss any matters that the committee or these groups believe should be discussed privately with the Committee.
- 4.8 The Chairperson of the Committee shall excuse from any meeting or part thereof, any member or attendee who could, in his or her opinion, have any potential conflict of interest.
- 4.9 Only members of the Audit, Risk, ICT and Performance Committee with voting rights shall be entitled to vote at duly constituted meetings of the Audit, Risk, ICT and Performance Committee

**5. NOTICE OF MEETINGS**

- 5.1 Notice of each meeting shall be given in writing to all members of the Committee, at least fourteen days prior to the date on which such meeting is to be held.
- 5.2 Only the chairperson of the committee (after consultation with relevant stakeholders) can formally postpone a scheduled Audit, Risk, ICT and Performance committee meeting.
- 5.3 Where a scheduled committee meetings is postponed due to the unavailability of reports or required information, the chairperson of the committee shall accordingly report such instances to Council.

**6. AGENDA, PAPERS & DISTRIBUTION**

- 6.1 The agenda of each meeting shall be prepared and distributed at least seven days prior to the meeting date, attendees may add items to the agenda one day after it has been issued.
- 6.2 Management must submit documents for Committee meeting within five days of the meeting date.
- 6.3 Documents for the meeting will reach members and attendees electronically within four days of the Committee meeting.

**7. MINUTES**

- 7.1 The secretary shall prepare draft minutes of the meeting for review by the Chairperson within 10 working days after a meeting. The minutes shall be tabled at the next meeting for adoption.
- 7.2 The Chairperson shall ensure that the minutes of the preceding meeting are approved, whether with amendment or not, and signed as being a true record of the proceedings of such meeting.

**8. CONFLICT OF INTEREST**

Subject to the provisions of any act, regulation or prescript, where a member of the Committee has an interest in a matter being considered, this interest shall be declared at the beginning of the proceedings of the meeting and the member must excuse him/herself from the decision making process.

**9. AUTHORITY**

- 9.1 The Audit, Risk, ICT and Performance Committee of the Ngqushwa Local Municipality is authorised, in terms of these Terms of Reference, to perform the duties and functions required to ensure adherence to the provisions of the Municipal Finance Management Act, the applicable provisions of the Municipal Systems Act, the Municipal Structures Act, and other applicable regulations.
- 9.2 In carrying out its mandate, the committee must have regard to the strategic goals of Council and its strategic focus areas and development priorities as outlined in the Integrated Development Plan (IDP) and the Service Delivery Budget Implementation Plan (SDBIP).
- 9.3 In performing its functions, the Council authorises the Audit, Risk, ICT and Performance Committee to-



- 9.3.1 Communicate with the Council, municipal manager, the internal auditors, or external auditors of the municipality.
- 9.3.2 Seek any information it requires from any municipal official (all municipal officials are directed to co-operate with any reasonable request made by the audit, Risk, ICT and Performance committee), and external parties.
- 9.3.3 Have access to municipal records containing information that is needed to perform its duties or exercise its powers.
- 9.3.4 Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the Audit, Risk, ICT and Performance Committee.
- 9.3.5 Conduct investigations into the financial affairs and performance management affairs of the municipality, as may be requested by the Council.
- 9.3.6 The Committee shall be empowered to seek and retain such independent professional advice to assist the committee in fulfilling its responsibilities, as it considers necessary, but shall notify the Council of the intention and obtain approval.

## **10. REPORTING**

- 10.1 The Chairperson of the Committee shall report on a quarterly basis, or more frequently if necessary to the council on the operations of the internal audit unit and audit and risk committee.
- 10.2 The report will include but not limited to:
  - 10.2.1 A summary of the work performed by the internal audit and the audit, Risk, ICT and Performance committee against the annual work plan;
  - 10.2.2 Effectiveness of internal controls and additional measures that must be implemented to address identified risks;
  - 10.2.3 A summary of key issues dealt with, such as significant internal and external audit findings, recommendations and updated status thereof;
  - 10.2.4 A summary of the usefulness and reliability of the reported performance information for the municipality
  - 10.2.5 Progress with any investigations and their outcomes;
  - 10.2.6 Details of meetings and the number of meetings attended by each member; and
  - 10.2.7 Other matters requested of the internal audit and audit, Risk, ICT and Performance committee.
- 10.3 The audit, Risk, ICT and Performance committee shall prepare a report annually which will be incorporated into the municipality's annual report that will describe the committee's composition and responsibilities and how they were discharged and any other information required by rule, including approval of non-audit services.
- 10.4 The chairperson of the audit, Risk, ICT and Performance committee must submit the copy of its report at least annually, or at other interval, to the Municipal Public Accounts Committee (MPAC), for consideration during the MPAC engagements on the oversight report

## **11. REMUNERATION**

- 11.1 Independent Audit, Risk, ICT and Performance Committee members shall be remunerated for their services on the Audit, Risk, ICT and Performance Committee based on meetings attended. (The Chairperson of the Audit, Risk, ICT and Performance Committee shall be paid additional remuneration for such attendance and for services related to the Audit, Risk, ICT and Performance Committee.)
- 11.2 The Council of the municipality shall determine remuneration, which shall be subject to review on an annual basis.

## **12. DUTIES AND RESPONSIBILITIES**

In carrying out its duties and responsibilities, the audit, Risk, ICT and Performance committee shall include the review of items highlighted by internal auditors and the external auditors in order to provide the necessary assistance to the Accounting Officer and the Council

## 12.1 Risk Management and Internal Controls

The Audit, Risk, ICT and Performance Committee shall:

- 12.1.1. Ensure that the municipality has and maintains a comprehensive Risk Management Strategy that responds to the challenges facing the municipality and has procedures to identify and monitor these risks.
- 12.1.2. On a quarterly basis , review progress made in embedding risk management in the operations, language and culture of the municipality
- 12.1.3. In order to carry out this responsibility, the Audit, Risk, ICT and Performance Committee should be informed of enterprise risk management process in the municipality
- 12.1.4. Further provide an assurance in respect of integrated risk management in the municipality
- 12.1.5. Consider the effectiveness of municipality's financial and operational internal control system,
- 12.1.6. Evaluate of the policies and procedures implemented by management with regard to internal controls.
- 12.1.7. Review the context, quality, adequacy, reliability and accuracy of the financial information(monthly and quarterly reports) provided to Council and/the board and other users of such information
- 12.1.8. Review any accounting and auditing concerns identified as results of internal and external audits performed.
- 12.1.9. Review reports on all material fraud and irregularities (forensic audit reports) and ensure that adequate/appropriate action has been taken to prevent recurring thereof.
- 12.1.10. Audit, Risk, ICT and Performance Committee's most important contribution to assuring ethical conduct is its sincere interest in the municipality's operations and its advocacy of high standard behaviour.

## 12.2 Internal Audit Function

The Audit, Risk, ICT and Performance committee shall:

- 12.2.1. Review and approve the Internal Audit Charter
- 12.2.2. Review and approve the rolling three year strategic internal audit plan based on its assessment of key areas of risk for the municipality, having regard to the current operations of the municipality, those in the strategic risk management strategies.
- 12.2.3. Review and approve the annual internal audit plan for the first year of the rolling three year strategic internal audit plan and any subsequent revision thereof.
- 12.2.4. Review quarterly reports submitted by Internal Audit detailing performance against annual internal audit plan.
- 12.2.5. Concur on the appointment of the Head of Internal audit (Manager Internal Audit )
- 12.2.6. Review the organizational structure and qualifications of the Internal Audit Staff
- 12.2.7. Review actions plans taken or to be taken by management to improve internal control systems.
- 12.2.8. Consider material unresolved accounting and auditing problems
- 12.2.9. Ensure direct access by the internal auditors to the Audit, Risk, ICT and Performance committee, chairperson of the Audit, Risk, ICT and Performance committee and accounting officer
- 12.2.10. Determine that no management restrictions are being placed upon the internal auditors.
- 12.2.11. Evaluate the overall efficiency and effectiveness of the Internal Audit function taking into account the following:
  - The audit approach used,
  - The quality of reports during the year,
  - Quality of personnel,
  - Co-operation with external auditors and other assurance providers to promote combined assurance services.
  - Management satisfaction,
  - Internal Audit Charter
  - Internal Audit compliances with the International Professional Practise Framework issued by the Institute of internal of Internal Auditors

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### 12.3 Financial Statements

The Audit, Risk, ICT and Performance Committee shall:

- 12.3.1. Review the annual financial statements, before submission to Council and AGSA on the 31<sup>st</sup> August of each year) and establish that they have been prepared by management in accordance with applicable legislation and standards and other relevant statutory requirements.
- 12.3.2. Review the annual performance report before submission to Council and AGSA on the 31<sup>st</sup> August each year.
- 12.3.3. Review the municipality's accounting policies and major changes in policies which management should consider making or having already
- 12.3.4. Consider the scope and objective of any additional work undertaken by Internal Auditors to ensure that there are no conflict of interest and their objectivity & independence is not compromised.

### 12.4 External Auditing (Auditor General)

- 12.4.1. Review and evaluate the efficiency and effectiveness of the external auditors in relation to their responsibilities.
- 12.4.2. Ensure that there are no restriction or limitations place on the external auditors.
- 12.4.3. Enquire about any significant variances in the financial reporting issues discussed during the accounting period between management and internal and external auditors and how they were resolved.
- 12.4.4. Obtain explanations for all significant variance in the financial statements, budgets, forecasts and prior year results.
- 12.4.5. Recommend to the accounting officer such measures as in the opinion of the Committee to enhance the creditability of the financial statements and annual report.
- 12.4.6. Confirm any difficulties experienced with regard to audit steering committee and ensure that these are appropriately dealt with.
- 12.4.7. Enquire about all outstanding litigation, contingencies and claims and how these matters are reflected in the municipality financial statements.
- 12.4.8. The AGSA's plan to be presented to the committee prior to the execution stage of the audit.
- 12.4.9. The Committee to evaluate the AGSA's audit plan as presented by AGSA and satisfy itself about the budget and the audit coverage as included in the AGSA's plan.

### 12.5 Performance Management

The Audit, Risk, ICT and Performance committee will also serve as a performance audit, Risk, ICT and Performance committee. This committee shall:

- 12.5.1. Ensure that the municipality has an effective performance management system that is:
  - Commensurate with the resources;
  - Best suited to its circumstances; and
  - In line with priorities, objectives, KPIs and targets contained in the Integrated Development Plan / and Business plans in case of municipal entity.
- 12.5.2. Promote a culture of performance management within the entity and all its internal stakeholders
- 12.5.3. Monitor the performance management system by reviewing internal audit reports relating to performance audits and performing any other duties deems appropriate to fulfil its responsibilities.
- 12.5.4. Ensure performance assessment of head of departments is performed and assess those reports.
- 12.5.5. Prepare quarterly reports on performance management of the municipality and report to the council.

### 12.6 ICT Governance

- 5.4.1 The audit, risk, ICT and performance committee shall consider and advise on matters relating to IT governance, controls, access, and safeguarding of information in the municipality.



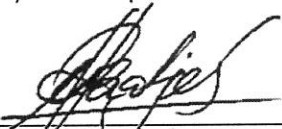
- 5.4.2 Where required, the Audit, Risk, ICT and Performance Committee may obtain specific expertise from within or outside the municipality, to assist the internal audit unit and audit, Risk, ICT and Performance committee formulate recommendations on systems and controls.
- 5.4.3 The audit, Risk, ICT and Performance committee shall consider and advise on the appropriateness of disaster recovery and continuity plans supporting IT risks, regular testing and evaluation of plans systems and processes.

**13. ASSESSMENT OF THE AUDIT RISK AND PERFORMANCE COMMITTEE FOR EFFECTIVENESS**

- 13.1 Although the effective evaluation of the audit, Risk, ICT and Performance committee is the responsibility of the Council, the Audit, Risk, ICT and Performance Committee shall conduct a self-assessment evaluation on an annual basis. The results of the evaluation shall be made available to the members and the Council as soon as possible, provided that the results shall be made available within one month of consideration by the Audit, Risk, ICT and Performance committee.
- 13.2 The council and management will evaluate the effectiveness of the audit, Risk, ICT and Performance committee annually.
- 13.3 These terms of reference shall be reviewed at least annually.

**14. APPROVAL AND ADOPTION**

These Terms of Reference are hereby adopted as the guiding document for existence and operation of the Audit, Risk, ICT and performance Committee.

  
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**Recommended by Audit, Risk, ICT and Performance  
Committee Chairperson**


25 January 2016

**Date**

  
\_\_\_\_\_  
**Authorized by Mayor**

27/01/2016

**Date**

**Acknowledged by:**   
\_\_\_\_\_  
**Municipal Manager**

27/01/2016

**Date**

