



**AUDIT AND PERFORMANCE COMMITTEE
CHARTER
2024/25**

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1. INTRODUCTION

The audit and performance committee (committee) is a sub-committee of Council and plays an important role providing oversight of governance, risk management, compliance and control practices. The committee also serves to provide confidence in the integrity of practices to enable fulfilment of the purpose of Ngqushwa Local Municipality and achievement of its strategic objectives.

This charter provides the framework for performance of committee activities.

2. MANDATE

The committee has been established by Council in accordance with section 166(2) of the MFMA and has the authority of Council to carry out the activities prescribed in this charter.

3. PURPOSE

The purpose of the committee is to provide structured systemic oversight of governance, risk management, compliance, control and assurance practices across Ngqushwa Local Municipality. This applies to both financial and non-financial activities. The committee assists Council by providing advice and guidance on the adequacy of governance and assurance.

4. ROLE

The committee supports Council by:

- Reviewing effectiveness of governance, risk management, compliance and control.
- Reviewing external reporting (including the financial statements and performance reporting).
- Promoting ethical behavior.
- Promoting improved economy, efficiency and effectiveness.
- Reviewing reliability of management information.
- Monitoring, evaluating and enhancing internal audit performance.
- Monitoring the independence and effectiveness of external audit.
- Reviewing effectiveness of fraud control measures.
- Monitoring compliance with laws, regulations, standards and good practice.

This requires Committee monitoring and oversight to encompass Council's range of functions and activities related to governance and assurance including:

- Governance structures and processes.
- Risk management structures and processes including the management of environmental, social and governance (ESG) risks.
- Control activities.
- Financial management, accounting policies, financial statements and annual reporting.
- External Audit.
- Internal Audit.
- Compliance.
- Implementation of audit and other review recommendations.
- Ethics and organisation culture.
- External accountability.
- Fraud and corruption control.
- Business continuity management including ICT disaster recovery arrangements.
- Security including physical security, cybersecurity and ICT security.
- Legal issues.
- Complaint management.
- Organisation performance and management reporting.
- Work health safety.
- Environmental management.
- Major projects and business initiatives.
- Regulator activities.
- Response to significant government enquiries.

The committee as the sub-committee of Council is delegated to:

- Approval of the internal audit charter.
- Approval of the program of internal audits, i.e. internal audit plan(s) and internal audit methodology.
- Concurrence to the appointment/termination of the chief audit executive.
- Input into the chief audit executive performance assessment.

5. AUTHORITY

The authority of the committee to perform its role is established within the scope of this charter. In discharging its responsibilities, the committee shall have:

- No executive powers delegated financial responsibility or management functions.
- Unrestricted access to management, employees and relevant information it considers necessary to effectively discharge its duties.
- Unrestricted access to records, data and reports, subject to any legal information protection or privacy requirements.
- Authority to discuss any matters with the external auditor or other external parties, subject to confidentiality considerations.
- The right to require attendance of management at committee meetings.

The committee may engage independent advisers to assist with its duties if agreed by Council.

6. COMPOSITION

The committee is comprised of individuals who are independent of municipal management. Such individuals shall be independent, non-executive persons external to the municipality. The composition of the committee is:

- A chairperson of the committee.
- A minimum of three (3) and a maximum of five (5) members.

The chief audit executive is required to attend all meetings of the committee except those meetings consisting of the committee meeting without observers or advisors (closed meetings) or when the chairperson specifically requests that the chief audit executive not attend. The chief audit executive is not a member of the committee.

The committee is supported by non-voting advisers / observers comprising municipal manager, senior management, representative from the external auditor (AGSA), Amathole District Municipality, SALGA, COGTA and Provincial Treasury and any other persons or stakeholders invited by the committee. Such individuals are not members of the committee.

The Speaker, EXCO, MPAC Chairperson, Portfolio Heads may attend the audit committee meetings as observers and to contribute insights to assist

committee deliberations. They may not attend closed sessions of the committee unless specifically invited by the committee chairperson.

The committee chairperson may require the attendance of management representatives, staff and contractors at meetings as necessary to address matters on the agenda.

The committee is a skill-based governance committee. Membership will be structured to ensure collective competence in governance, assurance, audit, finance, technology, legislation, risk management, compliance and control plus any special attributes relevant to Ngqushwa Local Municipality and Local Government. The range of skills included shall ensure that the committee is not critically dependent upon specialised knowledge of any individual.

Members of the committee should have senior management experience in a relevant environment.

As the responsibilities of the committee evolve in response to regulatory, economic and reporting developments. Member competencies and the overall balance of skills on the committee will be periodically evaluated to respond to emerging risks.

7. TERMS OF APPOINTMENT

The committee appointments will be made by Council.

The chairperson shall be appointed for a term of three years. Member appointments shall ordinarily be for a term of three years, with appointments staggered to enable continuity of knowledge.

The chairperson and members shall be eligible for reappointment by the Council for a term of three years, subject to satisfactory performance. The total period of continuous service of the chairperson and members shall not be more than six (6) years.

A cooling-off period of two (2) years is required, before the chairperson and members of the committee may be considered for new appointment.

Council Speaker and all Councillors cannot serve as chairperson or as a member of the committee.

Committee membership will be reviewed periodically in line with the Council policies and this charter.

Membership of the committee comprises personal membership and proxies are not permitted.

Committee members will receive formal induction on the committee's purpose and mandate and on the municipality's strategic objectives, governance, risk management, and governance.

Members will be remunerated in terms of the remuneration policy approved by Council.

8. QUORUM

The quorum for the committee shall be a majority of members at the relevant time.

9. OPERATIONAL PRINCIPLES

Committee Values

The committee members will conduct themselves in accordance with the Ngqushwa Local Municipality Code of Conduct.

Communications

All communication with management and staff, as well as with any advisors, will be direct, open and complete. The committee chairperson will be the link to Council and will report committee activity at the first Council meeting that follows a meeting of the committee.

It is important for the committee chairperson and members to develop, establish and maintain an effective working relationship with Council and senior management.

Any concerns or differences should be resolved by way of open communication, with the final arbiter the Council.

Induction

The committee secretariat will provide the new committee members with information and briefings on the work of the committee to assist them meet their responsibilities.

Preparation and Attendance

Committee members have an obligation to prepare for and actively participate in committee meetings. This requires members to contribute the time needed to study and understand the pack provided for the meetings. Members are expected to apply good analytical skills, objectivity and judgement, express opinions frankly, ask questions that go to the fundamentals core issues, and pursue independent lines of enquiry.

Conflict of Interest

It is the responsibility of a committee member to disclose any actual, potential or perceived conflict of interest to the chairperson who shall decide whether a member should be excused from committee deliberations on a particular matter. If necessary, the final arbiter will be the Council.

A register of interests will be maintained for the committee chairperson and members to demonstrate transparency and as a safeguard against conflict of interest.

10. OPERATIONAL PROCEDURES

Meetings

The committee shall meet at least four times each financial year and more frequently if deemed necessary. A special meeting may be convened to review the financial statements and external audit management letter and opinion.

Meetings may be held in person, by teleconference or videoconference.

Committee Work Plan

A forward work plan including meeting dates and agenda items will be agreed by the committee at the beginning of each financial year.

Private Sessions

The committee will meet privately (in closed session) without management present with:

- Municipal Manager – at least twice each financial year.
- Individual Senior Management – on a cyclical basis.
- External Auditor – at least once each financial year.

- Chief Audit Executive – at least twice each financial year.
- Chief Risk Officer – at least twice each financial year.

Secretariat Services

Internal audit function will provide secretariat services for the committee. The meeting agenda and supporting reports will be submitted for approval to the chairperson and distributed by the secretariat at least seven (7) days before each meeting. Meeting minutes will be prepared, submitted to the chairperson for confirmation, and distributed to all attendees within ten (10) working days of each meeting.

11. COMMITTEE REPORTING

The committee through the chairperson report directly to the Council. The committee must ensure it maintains a direct functional reporting line for the Chief Audit Executive. The chairperson will meet with the Council on committee outcomes after each meeting and with the Municipal Manager as the chairperson deems appropriate or as otherwise requested by Council. The committee, through the chairperson, may report to the Council at any time on any matters it deems of sufficient importance.

An individual committee member may request a meeting with the Council should the member consider it warranted. The committee will provide the Council with an annual report at the end of each financial year. The report will address the committee's operations, activities, outcomes and achievements, together with focus areas for the coming financial year.

12. EVALUATION OF PERFORMANCE

Committee performance will be evaluated, with results reported to Council.

Committee performance will be evaluated through:

- Annual self-assessment by the committee.
- Annual evaluation by Council, Management and CAE.
- Independent review every three years.

13. REVIEW OF THE CHARTER

The committee will review this charter each financial year to identify potential improvements.

14. APPROVAL OF THE CHARTER

Endorsed: 

Audit Committee

Date 25 July 2024

Approved: 

Council

Resolution number: OCM10.5.2

Date 20 August 2024

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