

POLICY 01/2016 RAADSBELEID

MUNICIPALITY DAWID KRUIPER MUNISIPALITEIT

SUBJECT: AUDIT COMMITTEE CHARTER

REFERENCE: 3.1.3.3.2.20

RESOLUTION NR: 16/10.2/2016 (SCM)

DATE: 26 October 2016

1. Purpose

The Chief Audit Executive is hereby referred to as the Senior Manager Internal Audit.

To assist the Audit Committee in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, the process for monitoring compliance with laws and regulations and the code of conduct.

2. Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to, but not limited to the following:

- Resolve any disagreements between management and the auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services;
- Retain independent counsel, accountants, or others in consultation with the Accounting Officer, to advise the committee or assist in the conduct of an investigation;
- Seek any information it requires from all employees; and
- Meet with management, external auditors, or outside counsel, as necessary.

3. Composition

The Audit Committee will consist of at least three members of which the majority will not be employees of the entity to be served.

Council must appoint Audit Committee members and the chairperson.

4. Meetings

The committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

5. Remuneration

Audit Committee members not holding executive office in the organisation or not being in the public service shall be remunerated for their services on the Audit Committee based on meetings attended. The Chairperson of the Audit Committee shall be paid additional remuneration for such attendance and for services related to the Audit Committee. Remuneration shall be determined by Council in line with guidelines issued by National Treasury.

6. Responsibilities

The committee will carry out amongst others the following responsibilities:

6.1 Financial Statements

- Review the annual financial statements and consider whether they are fairly presented, complete and reflect appropriate accounting principles;
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;
- Review with management and the external auditors all matters required to be communicated to the committee under the standards or legislation; and
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

6.2 Internal Control

- Consider the effectiveness of the organisation's system of internal control, including information technology security and control; and
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

6.3 Internal Audit

- Review with management and the Senior Manager Internal Audit (CAE) the charter, strategic and operational plans, internal audit activities, staffing and organizational structure of Internal Audit;
- Ensure there are no unjustified restrictions or limitations, review and concur on the appointment, replacement, or dismissal of the Senior Manager Internal Audit (CAE);
- Review the effectiveness of Internal Audit, including compliance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing; and
- On a regular basis, meet separately with the Senior Manager Internal Audit (CAE) to discuss any matters that the committee or internal audit believes should be discussed privately.

6.4 External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit; and
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

6.5 Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- Review the findings of any examinations by regulatory agencies and any auditor observations; and
- Obtain regular updates from management and company legal counsel regarding compliance matters.

7. Reporting Responsibilities

- Regularly report to the Accounting Officer about committee activities, issues, and related recommendations;
- Provide an open avenue of communication between Internal Audit, the external auditors and management;
- Review any other reports that the entity issues relating to committee responsibilities;
- Perform other activities related to this charter as requested by the Accounting Officer;
- Institute and oversee special investigations as needed;
- Review and assess the adequacy of the committee charter annually, requesting Accounting Officer's approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation;
- Confirm annually that all responsibilities outlined in this charter have been carried out; and
- Evaluate the committee's and individual members' performance on a regular basis.

Review Period

This charter will be reviewed on an annual basis and submitted to the Audit Committee for approval.