

NEWCASTLE MUNICIPALITY



AUDIT, RISK AND PERFORMANCE COMMITTEE CHARTER 2023/2024

CONTENTS

1.	Constitution and purpose	3
2.	Composition and membership	4
2.1	Size of the Committee	4
2.2	Appointment of members	4
2.3	Independence	5
2.4	Term of office	5
2.5	Secretarial services	6
2.6	Remuneration	6
3	Code of conduct	6
4	Authority of the Audit and Risk Committee	7
5.	Statutory functions and responsibilities	8
5.1	Responsibilities relating to Accounting and Financial Reporting	8
5.2	Responsibilities relating to the external audit function performed by the Auditor General	9
5.3	Responsibilities relating to the Internal Audit function	11
5.4	Responsibilities relating to Risk Oversight	13
5.5	Responsibilities relating to Performance management	14
5.6	Responsibilities relating to Corporate Governance	15
5.7	Responsibilities relating to Internal Control and Compliance	16
5.8	Responsibility relating to IT Governance	17
5.9	Responsibilities relating to Ethics and Forensic Audits and Investigations	17
5.10	Performance assessment	18
5.11	Reporting Responsibilities	18
5.11.1	Annual Financial Reporting	19
5.11.2	Combined Assurance	20
6	Relationship with stakeholders	21
7	Meetings and proceedings	21
7.1	Quorum	22
7.2	Frequency of meetings	22
7.3	Meeting attendance and proceedings	22
7.4	Notification, agenda and minutes of meetings	23
8.	General	24

1 Constitution and purpose

The Risk, Performance and Audit Committee is constituted in line with sound corporate governance practices and operates within a specific regulatory framework; in accordance with the provisions of the MFMA.

The purpose of the Risk, Performance and Audit Committee charter is to set out the status, authority, role and responsibility of the Risk, Performance and Audit Committee of the Municipality. The authority, status and responsibilities are in accordance with section 166 of the MFMA and as delegated by the Newcastle Municipality's Council and Accounting Officer. In addition, these terms of reference are to guide the Risk, Performance and Audit Committee in carrying out its mandate.

The broad objectives of the Risk, Performance and Audit Committee, amongst others, include the following:

- a) The Risk, Performance and Audit Committee is advisory in nature and does not have any executive powers and acts primarily in an oversight capacity to management and council.
- b) The Risk, Performance and Audit Committee will consider matters relating to management and the Council in the discharge of their duties to safeguard assets, operate adequate systems and controls, and prepare annual financial statements.
- c) The Risk, Performance and Audit Committee shall be authorized to perform the functions as contained in this charter. In carrying out this mandate the Audit Committee shall have full, free and unrestricted access to all Council's activities, records, property and staff; and
- d) The Risk, Performance and Audit Committee shall consider any matters relating to the financial affairs of the Council and to internal and external audit that is determined to be desirable. In addition, the Committee shall examine any other matters referred by its management, provided that such requests are legitimate and within scope of the Committees duties and responsibilities.

2 Composition and membership

2.1 Size of the Committee

- a) The Risk, Performance and Audit Committee should consist of at least five, independent individuals, who have sufficient qualification and experience and who are neither in the employ of nor are Councilors of Newcastle Municipality. This number may be extended when a need is established and motivated for approval.
- b) The Risk, Performance and Audit Committee has the power to invite any board member of the Municipal Entity to participate in committee meetings dealing with Municipal Entity's oversight matters.

2.2 Appointment of members

- a) The members' terms of appointment should provide for both continuity of membership and the contribution of fresh perspectives. The members of the Risk, Performance and Audit Committee shall be provided with appropriate and timely training, both in the form of an induction program for new members and on an on-going basis for all members as may be necessary.
- b) The Council shall appoint Risk, Performance and Audit Committee members and shall fill any vacancies within ninety (90) business days after the vacancy arises. Council may establish the panel for the shortlisting and appointment of Audit Committee Members.
- c) If the vacancy of the Chairperson of the Risk, Performance and Audit Committee arises, Audit Committee members shall among themselves nominate and recommend the chairperson of the committee and agreed upon by the majority of members in attendance. The recommended chairperson shall be appointed by Council in terms of authority delegated to council to appoint Audit Committee. The chairperson shall be independent, knowledgeable of the status of the position they occupy, have the requisite business, financial and leadership skills and may not be a political office bearer.
- d) The Chairperson of the Risk, Performance and Audit Committee shall participate together with the Municipal Manager in the appointment of vacancies in the Risk, Performance and Audit Committee or additional members.
- e) The Council of the Municipality shall, from time to time, review and revise (when appropriate) the composition of the Risk, Performance and Audit Committee in accordance with recommendations received, taking into account the need for an adequate combination of financial and business skills and knowledge. The Committee members must keep up to date with developments with Council affecting the required skills set.
- f) In appointing members to serve on the Audit and Risk Committee, consideration should be given to:
 - The incumbent's independence; and
 - Members having financial, performance management and risk management experience.

2.3 Independence

The Risk, Performance and Audit Committee should be independent and safeguarded from undue influence in exercising its responsibilities in an objective manner. To enhance the Risk, Performance and Audit Committee functioning, the following is required:

- a) The Risk, Performance and Audit Committee chairperson and members should be independent of the municipality or municipal entity.
- b) The Risk, Performance and Audit Committee chairperson and members should not be biased but exhibit an independence of mental attitude during deliberations.
- c) All Risk, Performance and Audit Committee members should declare private and business interest in every meeting; and
- d) All Risk, Performance and Audit Committee members should not carry out any business with the municipality or municipal entity.

2.4 Term of office

Membership of the Risk, Performance and Audit Committee shall be for a three-year term of office, renewable only by written notification upon completion of Council processes to a maximum of six years from the date on which the member assumed duty on the terms and conditions contained in the contract. After serving consecutively for six years, a cooling off period of two years should be provided for, before appointing the same member to this Audit and Risk Committee. Members are encouraged not to terminate their contracts until they have shared their knowledge with other new members. A Risk, Performance and Audit Committee member should give two months' notice prior to resignation.

Risk, Performance and Audit Committee members may have an exit meeting with the council to discuss the reason for leaving and to provide feedback on their experience on the Risk, Performance and Audit Committee as well as any other issues. The date of resignation should be minuted by the secretariat of the Audit and Risk Committee.

Committee members may be dismissed by the municipal council under certain circumstances. The accounting officer or municipal council may consult the charter when dismissing members of the committee. Reasons for dismissal amongst others are detailed in the letter of appointment and contract agreement, such as:

- a) Where an on-going conflict of interest exists.
- b) Should a Risk, Performance and Audit Committee member be absent without apology or valid reasons for three (3) consecutive audit committee meetings, membership of the Risk, Performance and Audit Committee may be forfeited; and
- c) Where a member has not performed to expectations.

The official dismissal processes as they relate to the municipality or municipal entity may be adhered to by the accounting officer and Municipal Council when an audit committee member is being dismissed. Where appropriate, the dismissal process may be linked to the charter and member's performance assessment process.

The dismissal of a member may be performed by the Municipal Council and the outcome of the dismissal process should be in writing. The date of dismissal should be minuted by the secretariat of the Audit and Risk Committee.

2.5 Secretarial services

- a) The Secretary of the Risk, Performance and Audit Committee shall be Corporate Services.
- b) The Chief Audit Executive shall assist the Chairperson develop and distribute committee agendas, papers, minutes, and calendars.

2.6 Remuneration

The member shall be remuneration based on the guidelines issued by the National Treasury, which changes from time to time. Tariffs from the Department of Transport will be applied for travelling costs. Employees of National, Provincial and Local Government or Institutions, Agencies and Entity of Government or Audit Committees are not entitled to additional remuneration.

- In the event that a senior official from another municipality is requested to serve as a member of an audit committee of Newcastle Municipality, such senior official must first obtain written consent from the accounting officer of their municipality before accepting such nominations at Newcastle Municipality.

3 Code of conduct

As an individual charged with governance oversight duties in the organization, the Risk, Performance and Audit Committee commits:

- a) To serve the best interest of Newcastle Municipality with care, skill, diligence, and courage.
- b) To be responsible for providing oversight on the assets of the organization and for providing guidance in keeping the organization on its strategic path.
- c) To be accountable to Council for oversight on the decisions and actions of the Newcastle Municipality.
- d) To be fair to Council of the organization by considering the legitimate interests of those who are affected by the Newcastle Municipality; and
- e) To be transparent by providing oversight on the disclosure of information that will enable stakeholders to hold Newcastle Municipality to account and that provides a holistic representation of Newcastle Municipality's past performance and its prospects for future value-creation.

As members of the Risk, Performance and Audit Committee, we commit: -

- a) To uphold the reputation of Newcastle Municipality; and
- b) To advance the Newcastle's Municipality's vision.

4 Authority of the Risk, Performance and Audit Committee

- a) The Risk, Performance and Audit Committee of the Newcastle Municipality is authorized, in terms of this Charter, to perform the duties and functions required to ensure adherence to the provisions of the MFMA and the applicable provisions of the MSA.
- b) In carrying out its mandate, the Risk, Performance and Audit Committee must have regard to the strategic goals of the Newcastle Municipality, strategic focus areas and programs as outlined in the Integrated Development Plan (IDP) and the Service Delivery Budget Implementation Plan (SDBIP); coupled with the required MSA on predetermined objectives.
- c) The overall objective of the Risk, Performance and Audit Committee is to provide oversight over systems to ensure the adequacy and effectiveness of the risk management processes; internal controls over financial management and reporting, operations management, compliance with applicable legislation; and good governance processes.
- d) In terms of this Charter and the provisions of the MFMA, as applicable:
 - The Risk, Performance and Audit Committee is authorized by the Executive Committee of Council to investigate any activity within its terms of reference.
 - The Risk, Performance and Audit Committee is authorized by the Council to obtain outside legal, accounting, or other independent professional advice. The committee may secure the attendance of outsiders with relevant experience and expertise if it considers this necessary to its meetings.
 - The Risk, Performance and Audit Committee is authorized to seek any information it requires from any employee of the municipality and municipal entities, and all employees are directed to co-operate with any request made by the Committee. Such requests will be channeled through the Municipal Manager and/or the CAE.
 - The Risk, Performance and Audit Committee must ensure that in exercising its delegated authority its decisions and recommendations support and promote the production of accurate, reliable financial reporting and financial statements in compliance with applicable legislation and standards for financial reporting.
- e) The Risk, Performance and Audit Committee will not perform any management functions or assume any management responsibilities as this could prejudice its objectivity. The Committee will make recommendations to Council as well as the Municipal Manager and senior management resulting from the activities carried out by the Committee according to its terms of reference.
- f) The Risk, Performance and Audit Committee shall have the authority to perform functions, and to obtain any information and advice, from within or outside the municipality or entity, in order to perform its functions as legislated. Appropriate resources will be made available to the audit committee to perform its functions.
- g) The Risk, Performance and Audit Committee may:
 - Communicate with the council, municipal manager or the internal and external auditors of the municipality or municipal entity.
 - Have access to municipal records containing information that is needed to perform its duties or exercise its powers.

- Request any relevant person to attend any of its meetings, and if necessary to provide information requested by the committee.
- Conduct investigations into the financial affairs of the municipality or municipal entity, as may be requested by the council of the municipality or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity.

The MPAC, in discharging its responsibilities, may make use of any information provided by the Risk, Performance and Audit Committee to avoid duplication of effort.

5 Statutory functions and responsibilities

The Risk, Performance and Audit Committee is required to consider any matters relating to the financial affairs of the municipality, and any risk, internal audit, and external audit matters. The Committee must review and assess the qualitative aspects of financial reporting, the municipality's processes to manage business and financial risk, governance processes and compliance with significant applicable legal, ethical, and regulatory requirements.

5.1 Responsibilities relating to Accounting and Financial Reporting

- (a) The Risk, Performance and Audit Committee is required to review and monitor the integrity of the Annual Financial Statements relating to the municipality's financial position and performance; and were requested by Council, any other public reports by the municipality to regulators before submission to Council, focusing particularly on:
- Significant financial reporting, including complex or unusual accounting transactions and highly judgmental areas regarding the implementation of accounting standards, and where applicable estimates, and recent professional and regulatory pronouncements.
 - Clarity and completeness of disclosure and whether disclosures made have been set properly in context; accuracy of statutory reports but not limited to section 36, 71, and 72 reporting and to receive such reports as and when required.
 - Quality and acceptability of, and any significant changes in accounting policies and practices.
 - Compliance with accounting standards and legal requirements.
 - Significant adjustments and/or unadjusted differences resulting from the audit.
 - Unusual circumstances or events and management's explanation for the accounting treatment adopted.
 - Reasons for major year on year fluctuations.
 - Asset valuations and revaluations.
 - The calculation and levels of general and specific provisions.

- Write-offs and reserve transfers.
 - The basis for the going concern assumption.
 - The existence and implementation of policies and procedures regarding complex or unusual accounting transactions, e.g., raising and disclosure of municipal bonds.
 - The implementation of new services.
 - Review the integrity of the information included in the annual report before release by considering the work/result of assurance providers (e.g., external and internal audit) relating to the validity, accuracy and completeness thereof; and
 - Obtain assurance from management with respect to the accuracy of the financial statements.
- (b) Discuss and resolve any significant problems or reservations arising from the final audit and any matters the external auditors wish to discuss (in the absence of management, where necessary).
- (c) Review measures to enhance the credibility and objectivity of the Newcastle Municipality Annual Financial Statements and the consolidated annual financial statements.
- (d) Report to Council where, following its review, the Committee is not satisfied with any aspect of the proposed financial reporting by the Municipality.
- (e) These financial statements should be reviewed by the Risk, Performance and Audit Committee two weeks before submission to the Auditor-General.

5.2 Responsibilities relating to the external audit function performed by the Auditor General

The Risk, Performance and Audit Committee is required to:

- a) Review the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The Committee should obtain a report on internal control procedures.
- (b) Develop and monitor a policy on the engagement of external registered auditors to supply non-audit services, taking into account relevant ethical guidance and Auditor-General requirements regarding the provision of non-audit services by the external registered audit firm, and to report to Council identifying any matters in respect of which it considers that action or improvement is needed and to make recommendations as to the steps to be taken.
- (c) Discuss with the Auditor-General before the audit commences and, as necessary, following the audit, the nature and scope of the audit (including the accounting principles, policies and practices adopted in the preparation of Annual Financial Statements, planned levels of materiality, resourcing and the terms of the Auditor-General's engagement letter). In particular:

The Risk, Performance and Audit Committee should ensure at the start of each annual audit cycle that appropriate plans are in place for the audit and review any significant changes to the audit plan.

- ❖ The Risk, Performance and Audit Committee should consider whether the Auditor-General's overall work plan, including planned levels of materiality, and proposed resources to execute the audit plan appear consistent with the scope of the audit engagement, having regard also to the seniority, expertise and experience of the audit team.
 - ❖ The Risk, Performance and Audit Committee should review, with the external auditors, the findings of their work. In the course of its review, the Risk, Performance and Audit Committee should:
 - (i) discuss with the external auditors' major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved.
 - (ii) review key accounting and audit judgements; and
 - (iii) review errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted.
 - ❖ The Risk, Performance and Audit Committee should also review the Strategic Audit Plan for the Regulatory Audit presented by the Auditor General and give particular consideration to matters where the plan relates to non-standard issues. The Risk, Performance and Audit Committee should consider whether the information provided is complete and appropriate based on its own knowledge; and
- (d) Recommend the adoption of the audited Annual Financial Statements of the Newcastle Municipality to the Council for approval.
 - (e) Monitor on a high-level that there is co-ordination between external audit firms where more than one external audit firm is involved. External audit firms function as agents on behalf of the Auditor-General.
 - (f) Ensure co-ordination and co-operation between the external and internal auditors to assist the external auditors in placing reliance on the work of Internal Audit and thereby avoid duplication of work.
 - (g) Review the allocation of hours by and fees charged by the Auditor-General in relation to audit risks and recommend the approval thereof to Council.
 - (h) Ensure direct access by the Auditor-General to the Audit and Risk Committee, the Chairperson of the Risk, Performance and Audit Committee and the Municipal Manager.
 - (i) On a regular basis, meet separately with the Auditor-General to discuss any matters that the Committee or Auditor-General believe should be discussed privately.
 - (j) The Risk, Performance and Audit Committee must determine the fees to be paid and the terms of engagement of the External Auditor.
 - (k) Review the report on the financial statements and matters raised therein for reasonability and accuracy.
 - (l) Review any interim reports issued in order to take cognizance of the issues raised in determining the follow up work of the internal audit.
 - (m) Provide advice to the accounting officer on actions taken relating to significant matters raised in external audit reports.
-

- (n) Address any potential restrictions or limitations with the accounting officer and council.
- (o) Address outstanding matters raised by the external auditors and any findings are dealt with conclusively in an expeditious manner.

5.3 Responsibilities relating to the Internal Audit function.

The Risk, Performance and Audit Committee is required to:

- (a) 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.
- (b) 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.
- (c) Review and approve the internal audit charter, including internal audit strategic plan.
- (d) Confirm that the audit plan makes provision for critical risk areas in the municipality.
- (e) Advise the municipality of resources allocated to give effect to the work outputs of the internal audit function.
- (f) Monitor and review the effectiveness of the risk management and internal audit functions of the Municipality.
- (g) Review the internal audit function's compliance with its mandate as approved by the Committee and the performance against the annual internal audit coverage plan.
- (h) Ensure that the Internal Audit Unit has the requisite manpower and capacity to execute its mandate in terms of the MFMA and the MSA, the appropriate authority and status within the municipality, and is equipped to perform in accordance with appropriate professional standards, by obtaining evidence in this regard from the CAE.
- (i) Confirm with management that internal audit findings are submitted to the Risk, Performance and Audit Committee on a quarterly basis.
- (j) Confirm actions taken by management in relation to the audit plan.
- (k) Review and discuss with the CAE the internal audit function's scope of work, the significant matters reported by this function as a result of its work and management's responsiveness to their findings and recommendations.
- (l) Monitor and assess the role and effectiveness of the Internal Audit in the overall context of the Municipality's risk management system and regulatory universe.
- (m) Consider the appointment, resignation or dismissal of the Chief Audit Executive in conjunction with the Municipal Manager.

- (n) Review the results of any quality assurance reviews.
- (o) Consider and review reports relating to difficulties encountered during the course of the audit engagement, including any scope limitation or access to information reported to the accounting officer that remain unresolved.
- (p) On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the Committee or the Chief Audit Executive believes should be discussed privately.
- (q) 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.
- (r) Review the performance of the CAE at least annually.
- (s) Review significant differences of opinion between management and internal audit.
- (t) Review the adequacy of action taken in response to significant internal audit findings.

5.4 Responsibilities relating to Risk Oversight

The Committee is responsible for assisting the Municipal Manager in addressing its oversight requirements of risk management and evaluating and monitoring the Municipality's performance with regards to risk management. The role of the Committee is to formulate, promote and review the Municipality's Enterprise Risk Management objectives, strategy and policy and monitor the process at strategic, management and operational levels.

In carrying out its responsibilities, the Risk, Performance and Audit Committee should:

- a) Review on an annual basis the risk management policy, strategy and implementation plan and recommend for consideration by the Council.
- b) Develop and review on an annual basis the risk appetite and tolerance and recommend for consideration by the Council.
- c) Review on an annual basis the Municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register.
- d) Review on a quarterly basis the current risk profile of the Municipality and changes to the current risk profile.
- e) Evaluate on a quarterly basis the effectiveness and adequacy of mitigating strategies to address the material risks of the Municipality.
- f) Report on a quarterly basis to the Council any material changes to the risk profile of the Municipality.
- g) Review on a quarterly basis 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.
- h) Develop goals, objectives and key performance indicators annually for the Committee for approval by the Municipal Manager and Council.
- i) Develop/review goals, objectives and key performance indicators annually to measure the effectiveness of the risk management activity.
- j) Set out the nature, role, responsibility and authority of the risk management function within the Municipality annually for approval by the Municipal Manager and oversee the performance of the risk management function.
- k) Provide proper and timely quarterly reports to the Municipal Manager and Council on the state of risk management, together with aspects requiring improvement accompanied by the Committee's recommendations to address such issues.
- l) Develop/ review the fraud prevention policy and recommend for consideration by the Risk, Performance and Audit Committee and approval by Council, once in two years.
- m) Facilitate and monitor the coordination of all assurance activities implemented by the institution quarterly.

- n) Review 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 on a quarterly basis.
- O) Review and recommend any risk disclosures in the annual financial statements.
- p) Evaluate the effectiveness of the implementation of the fraud prevention policy quarterly.
- q) Review the opinion of the Internal Audit function regarding the municipality's risk management systems.
- r) Review the policies and overall process for identifying and assessing business risks and managing their impact.
- s) Review regular assurance reports from management, internal audit, external audit and others on the operational effectiveness of matters related to risk and control and the conclusions of any testing carried out on them by internal or external audit.
- t) Review the timeliness of, and reports on, the effectiveness of corrective action taken by management.
- u) Review the municipality's annual statement on risk management prior to consideration by Council.

This information can be used to determine the information required by the Risk, Performance and Audit Committee in deciding the nature and extent of assurance required from external and internal audit.

5.5 Responsibilities relating to Performance management.

- (a) The Risk, Performance and Audit Committee will be responsible for monitoring the assessment by internal audit of the performance management system.
- (b) In terms of Regulation 14(1)(b) of the Local Government: Municipal Planning and Performance Management Regulation, 2001, the review of performance management by internal audit should include an assessment of the following:
 - 4• The functionality of the performance management system of the Municipality and MOE's;
 - t• The compliance of the performance management system with the MSA; and
 - fi• The extent to which the performance measurements are reliable in measuring the performance of the Municipality against the Key Performance Indicators.
- (c) The Risk, Performance and Audit Committee will be responsible for reviewing the strategy and plan to monitor and evaluate the implementation and effectiveness of performance management processes and framework, the results of the audit of performance management and the quarterly internal audit reports on performance management and performance information.
- (d) The Risk, Performance and Audit Committee members should have a good understanding of the performance of the municipality and its entities, which include amongst others:

- ❖ Review and comment on compliance with statutory requirements and performance management best practices and standards.
- ❖ Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements.
- ❖ Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the municipality and its entities.
- ❖ Review compliance with in-year reporting requirements.
- ❖ Review the quarterly performance reports submitted by internal audit.
- ❖ Review and comment on municipality's annual financial statements and timely submission to the Auditor-General by 31 August each year.
- ❖ Review and comment on the municipalities and entities annual reports within the stipulated timeframes; and
- ❖ Review and comment on the municipality's performance management system and make recommendations for its improvement.

5.6 Responsibilities relating to Corporate Governance

The Risk, Performance and Audit Committee is required to:

- (a) Review the minutes of meetings of the Finance Committee and/or Audit Committees of MOE's, as applicable. The Chairperson of such committees and the Accounting Officer and Chief Financial Officer of the MOE's may attend meetings of this Committee, upon invitation.
- (b) The Risk, Performance and Audit Committee chairperson should facilitate and engage with the Municipal Public Accounts Committee Chairperson on an on-going basis to share and update each other on areas of concern.
- (c) Review, together with external and internal audit, developments in corporate governance and consider their impact and implications for Newcastle Municipality's processes and structures.
- (d) Consider the disclosure on the role of the Risk, Performance and Audit Committee to be included in the Annual Report of the Municipality.
- (e) Review annually and, if appropriate, update the Audit and Risk Committee's own terms of reference as embodied in its Charter, subject to the approval of the Council Executive Committee.
- (f) Assess and report to Council on the Audit and Risk Committee's operating effectiveness and performance. at least annually.
- (g) Review the municipality's annual statement on its compliance with the Corporate Governance Code and Practices prior to consideration by Council.

- h) Evaluate and monitor the regulatory governance requirements and code of business conduct within the Municipality.
- i) Advise the Mayor and Municipal Manager on any questions relating to the financial affairs and internal controls (including financial, operating and compliance controls and risk management) of the Municipality.
- j) Consider and report on other topics, as may be required by the Council.

5.7 Responsibilities relating to Internal Control and Compliance

The Audit committee's responsibilities relating to internal control and compliance are to consider with management, internal audit and the external auditors:

- a) The adequacy and effectiveness of the municipality's systems of internal control over annual financial reporting, including information technology security and controls.
- b) The adequacy and effectiveness of the systems that have been designed to ensure and monitor compliance with laws, regulations, policies and procedures of Newcastle Municipality.
- c) 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.
- d) The results of management's investigation and follow-up including disciplinary action of any instances of non-compliance with laws, regulations, policies, procedures and municipal directives and circulars.
- e) Necessary disclosure of any significant problems disclosed in the annual report and accounts.
- f) Whether appropriate processes are followed and complied with on a regular basis.
- g) The municipality's annual statement on internal controls prior to consideration by the Council, including the statements issued by the municipal owned entities.
- h) Any legal matters, contingencies and reports from the Legal Services including those that may have a material impact on the financial statements.
- i) The steps taken by management to encourage lawful and ethical behavior; financial discipline and accountability for use of public resources.
- j) Defalcation reports from any litigation, investigations, insurance loss and to evaluate corrective action implemented.

5.8 Responsibility relating to IT Governance

The Risk, Performance and Audit Committee needs to provide advice on IT governance, controls, access, safeguarding of information in the municipality and its entities. Specific expertise may be required from within or outside the municipality from time to time, to assist the internal audit unit and audit 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.

The Committee shall perform all the functions as is necessary to ensure governance of IT including the following:

- (a) Ensuring IT governance is on the Council agenda.
- (b) Review the IT governance framework and the implementation of the framework.
- (c) Consider the impact IT could have on the business environment.
 - 1) Overseeing value delivery in IT; and
- (e) Ensuring IT is an integral part of the municipality's risk management, that adequate data recovery arrangements are in place, and compliance with IT related laws, rules, codes and standards.

5.9 Responsibilities relating to Ethics and Forensic Audits and Investigations

The Committee will be responsible for:

- (a) Monitoring the municipality's compliance with its Code of Conduct; and must review the process to monitor the ethical behavior of the Newcastle Municipality's management and officials.
- (b) Reviewing the systems in place to ensure protected disclosures by management and officials; the adequacy of the municipality's fraud policies; and compliance with the applicable laws and regulations.
- (c) Reviewing the effectiveness of the whistle-blowing mechanisms or arrangements by which concerns are raised about possible improprieties in matters of financial reporting or other matters.
- (d) Questioning and obtaining explanations for any violations of ethical conduct.
- (e) Reviewing any situations that arise relating to potential conflict of interest or questionable situations of a material nature that it becomes aware of and to make suitable recommendations to Council.
- (f) Periodically receiving reports on the prevention, detection and investigation of fraudulent activities or misconduct within the Municipality and the related management responses.
- (g) Receiving periodic reports of action taken and sanctions imposed as a result of investigations, in ensuring equity, consistency and zero tolerance.

5.10 Performance assessment

- (a) The Risk, Performance and Audit Committee should assess its performance and achievements against its charter on an annual basis.
- (b) The assessment would cover the performance of the individual member as part of the overall Risk, Performance and Audit Committee with reference to the particular skills the member has brought to the audit committee as a whole.
- (c) The findings of the self-assessment should be presented by the chairperson to the accounting officer and municipal Council.
- (d) Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the Audit and Risk Committee, the chair should take action to ensure that such enhancements are implemented.
- e) The chairperson may need to consult with the accounting officer and municipal council to obtain appropriate support to ensure all enhancements are implemented.
- (f) It may be beneficial for the Risk, Performance and Audit Committee to use an external facilitator to provide assistance with, or to supervise the self-assessment process.
- (g) It is up to the Risk, Performance and Audit Committee to decide whether the services of an external facilitator are required.
- (h) The chairperson and external facilitator should provide feedback to the Risk, Performance and Audit Committee members and present the findings of the evaluation to the accounting officer and municipal council.
- (i) Where the Risk, Performance and Audit Committee is not performing in accordance with their charter and this has been observed by various stakeholders such as for example, internal audit, external audit or management, it would be appropriate for this or other issues to be brought to the attention of the accounting officer and municipal council. If an individual Risk, Performance and Audit Committee member is not performing, then the member must be given an opportunity to address such with the municipal council. If it is considered necessary to terminate the services of an audit committee member prior to the end of the term of appointment, proper procedures should be followed.

5.11 Reporting Responsibilities

The Risk, Performance and Audit Committee shall:

- (a) Make progress reports to Council in writing on a quarterly basis. The committee reports must include matters contained in the Audit and Risk Committee's terms of reference and related recommendations. The report should include:
 - A summary of the work performed by the internal audit and the Risk, Performance and Audit Committee against the annual work plan.

- Effectiveness of internal controls and additional measures that must be implemented to address identified risks.
 - A summary of key issues dealt with, such as significant internal and external audit findings,
 - recommendations and updated status thereof.
 - Progress with any investigations and their outcomes.
 - Details of meetings and the number of meetings attended by each member; and
 - Other matters requested to internal audit and audit committee.
- (b) Provide, with the support of the Municipal Manager, an open avenue of communication between Internal Audit, External Audit and Council.
- (c) Report annually to the Council on the Committee's composition, responsibilities and the discharging of these responsibilities.
- (d) Submit annually to the Council the updated Risk, Performance and Audit Committee Charter for their review and approval thereof.
- (e) Prepare a statement for inclusion in the Annual Report on the systems of internal control, internal audit, risk management, financial management and good governance.
- (f) The chairperson of the Risk, Performance and Audit Committee must submit a copy of its report at least annually, to the Municipal Public Accounts Committee (MPAC), for consideration during the MPAC engagements on the oversight report. The chairperson of the Risk, Performance and Audit Committee must always be available whenever MPAC needs clarity on the report of the Audit and Risk Committee. Therefore, the roles and responsibilities and outputs of the internal auditor and Risk, Performance and Audit Committee assist to inform the work of the MPAC and oversight structures.

the Committee shall have the following specific responsibilities with respect to annual financial reporting and combined assurance.

5.11.1 Annual Financial Reporting

The Risk, Performance and Audit Committee shall oversee annual financial reporting, and in particular the Committee shall:

- (a) Have regard to all factors and risks that may impact on the integrity of the annual financial report (including factors that may predispose management to present a misleading picture), significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, and forward-looking statements or information.
- (b) The Risk, Performance and Audit Committee shall prepare a report annually which will be incorporated into the municipality's annual report and those of its entities covering:
- The functions performed by the Risk, Performance and Audit Committee and meetings attended.

- Resolutions taken by council and implementation status of recommendations made; and
 - Other relevant comments that may enhance governance and accountability.
- (c) Review the annual financial statements and the mid-year budget and performance assessment reports as required in terms of Section 72 of MFMA.
- (d) Comment in the annual report on the financial statements, the accounting practices and the effectiveness of the internal financial controls.
- (e) Review the disclosure of sustainability issues to ensure that it is reliable and does not conflict with the financial information.
- (f) Recommend to Council whether or not to engage a consultant on material sustainability issues and assurance.
- Recommend the annual financial report for approval by the Council; and
 - Review the content of the summarized information to ascertain whether it provides a balanced view.
- (g) Engage with the external auditors to provide assurance on the summarized financial information.

5.11.2 Combined Assurance

The Committee shall ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee shall:

- a) Ensure that the combined assurance report received is appropriate to address all significant risks facing the Council.
- b) Monitor the relationship between the external assurance providers of Council; and
- c) Ensure that a specific update on a consolidated basis (e.g., consolidated audit issues) is provided in respect of matters that affect the Clean Audit Mandate.

6 Relationship with stakeholders

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

- Municipal Council.
- Board of Directors of Municipal Entities.
- Municipal Public Accounts Committee.
- Finance Committee.
- Accounting Officer.
- Management and staff.
- Internal Auditors and External Auditors.
- Provincial Treasury; and
- National Treasury.
- Provincial COGTA

7 Meetings and proceedings

7.1 Quorum

The quorum for any meeting will be 50% plus 1 for the duration of the meeting.

7.2 Frequency of meetings

- a) The Risk, Performance and Audit Committee shall hold a minimum of four quarterly meetings during each financial year. Special meetings may be convened with the Chairperson's approval and subject to budget approval confirmed by the CAE who is responsible for managing the budget for audit committee meetings. Any member of the Audit Committee, the Municipal Manager, and CFO, CAE or the Auditor-General may request a special meeting if they consider that one is necessary.
- b) The special and/or additional meetings may be determined at the discretion of the chairperson and availability of other members.

7.3 Meeting attendance and proceedings

- a) Meetings shall be chaired by the Chairperson of the Risk, Performance and Audit Committee and in his/her absence by any alternative member of the Committee agreed upon by the majority of members in attendance.
- b) Invitations to attend Risk, Performance and Audit Committee meetings will be extended to the Internal Audit Management team; the SED's; Head: Legal Services; senior; Directors and professional advisors as deemed necessary.
- c) The internal and external auditors should be invited to make presentations to the Risk, Performance and

Audit Committee as appropriate. The Committee shall meet with the Auditor General at least annually to

ensure that there are no unresolved issues of concern. Similarly, the CAE may meet with the Risk, Performance and Audit Committee or Chairperson without the presence of management.

- d) Where Risk, Performance and Audit Committee requires attendance of its meeting or input, opinion or report by or from any person in the employ of the municipality or the municipal entities, such other person shall be given at least 7 days' notice of such, provided that under exceptional circumstances Risk, Performance and Audit Committee may give a shorter notice. The Risk, Performance and Audit Committee shall give notice or make a request through the Municipal Manager and not directly to the individual concerned.
- e) The Chief Audit Executive, in consultation with the chairperson of the committee, must determine the time frames of all meetings. In light of the financial implications, the accounting officer in consultation with the chairperson of the Risk, Performance and Audit Committee must agree, if meetings go beyond a one day sitting.
- f) The following persons must have a standing invitation to the Risk, Performance and Audit Committee and attend all meetings:
 - Municipal Manager.
 - CAE of the municipality.
 - Chief Risk Officer.
 - Chief Financial Officer.
 - External Auditor.
 - Provincial Treasury.
 - Cogta; and
 - Any other person on invitation by the chairperson of the Audit and Risk Committee.

7.4 Notification, agenda, and minutes of meetings

- a) The dates of meetings should be agreed at the commencement of each financial year. Notice of each meeting shall be given in writing to all members of the Risk, Performance and Audit Committee and other invited or interested parties, at least 14 days prior to the date on which such meeting is to be held. This may be waived by the Chairperson should circumstances necessitate it.
- b) The agenda of the meeting together with the audit pack shall be prepared and distributed at least seven (7) days prior to the meeting date. Any person attending the meeting may add items to the agenda three (3) days before the agenda is finalized. Such items should be provided to the Committee Secretariat via Internal Audit.
- c) The Risk, Performance and Audit Committee shall establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
- d) The Secretariat- Corporate Services shall keep minutes of all meetings and shall circulate the minutes of the meetings to all members of the Risk, Performance and Audit Committee and as determined in terms of Council policy.

8 General

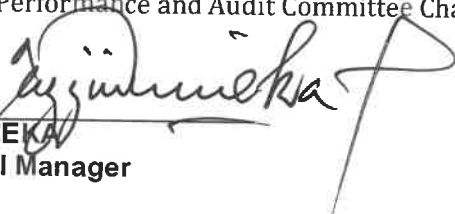
- (a) The Risk, Performance and Audit Committee should, on an annual basis, review its own performance and that of its members, constitution, and terms of reference to ensure it is operating at maximum effectiveness.
- (b) Council must also perform an evaluation of the effectiveness of the Committee every year via assessments of reports from assurance providers.
- (c) These terms of reference shall be reviewed annually and amended as required, subject to the approval of the Council.

The Risk, Performance and Audit Committee Charter was prepared by:


BB NKOSI
Chief Internal Auditor

27-10-2023
Date

The Risk, Performance and Audit Committee Charter was recommended by:


ZW MCINEKA
Municipal Manager

22/02/2024
Date

The Risk, Performance and Audit Committee Charter was approved by:


Z NKOSI
Interim Audit Committee Chairperson

22/02/2024
Date