

**17.
REVISION OF JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE CHARTER**

3/2/3/12

DC Van Der Heever

(028) 313 5035

Internal Audit Services

3 April 2017

1. Executive Summary

The purpose of the report is for Council to consider amendments to the Joint Audit and Performance Audit Committee (JAPAC) Charter.

2. Service Delivery and Budget Implementation Plan - IGNITE

Office of the Municipal Manager
Internal Audit Services

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and its Regulations.

Local Government: Municipal Systems Act, No. 32 of 2000 (Systems Act).

6. Background/Discussion

Section 116(1) of the MFMA provides that each Municipality must have and Audit Committee.

Regulation 14 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 promulgated in terms of the Systems Act provides for the appointment of a Performance Audit Committee whilst regulation 14(2)(c) provides that a Municipality may utilise any audit committee established in terms of other applicable legislation as the performance audit committee.

A Joint Audit and Performance Audit Committee was established on 25 May 2016. At a special JAPAC meeting held on 21 July 2016 it was resolved that the JAPAC Charter as approved by Council be reviewed and that it be amended in order for it to be aligned to the principles of the King Code of Corporate Governance and the guidelines as per the National Treasury MFMA Circular 65.

The Chief Audit Executive (CAE) was tasked with the responsibility to do research and draft amendments to the JAPAC Charter that is aligned with the principles of the King Code of Corporate Governance and the guidelines as per the National Treasury MFMA Circular 65 and to circulate the proposed amendments to the JAPAC members for comment where after it was work shopped and finalised at a special meeting of the JAPAC on 1 September 2016. The proposed amendments were forwarded to the Municipal Manager on 13 September 2016.

7. Financial Implications

Remuneration of members shall be in accordance with the day tariff as prescribed in terms of National Treasury Regulations. An additional recommendation is that members of JAPAC also be remunerated for preparation time for meetings.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Municipal Manager: Mr CC Groenewald – (028) 313 8003

As a result of various logistical reasons which include, but not limited to, Council's programme after the elections and discussions amongst the Municipal Manager, legal advisors and officials of Provincial Treasury, the recommended amendments could only be work shopped with Councillors on 30 March 2017 – this being the reason that the item is only now submitted to Council for consideration.

As far as the reference to National Treasury MFMA Circular 65, which is none other than a guideline, is concerned, regard must be had to section 168(3) of the MFMA which provides that no guidelines issued by National Treasury are binding on a municipality unless adopted by its Council.

The Municipal Manager, but for the following recommendations, supports the proposed amendments:

The JAPAC also recommended as follows:

1. That a vacancy in the JAPAC must be filled within sixty (60) days after the vacancy occurred;
2. That the JAPAC shall **concur** with the appointment, replacement and/or dismissal of the Chief Audit Executive;
3. That, where deemed necessary, the JAPAC is authorised to obtain the services of legal counsel to advise the JAPAC on matters of a legal nature for decision making or recommendations;

4. The JAPAC members be remunerated for preparation time as approved by the Chairperson in accordance with the tariffs as prescribed and amended from time to time in terms of National Treasury Regulations.
5. That should the Accounting Officer deem it necessary he/she can, in consultation with the Municipal Council, determine other remuneration for the JAPAC members.

The aforementioned recommendations are discussed seriatim hereunder:

1. The JAPAC consists of not less than three (3) or more than five (5) members (*vide.* paragraph 3.1) and the quorum being three (3) members (*vide.* paragraph 5.1). There is currently a vacancy in the JAPAC but it is kept vacant for purposes of cost containment measures. Notwithstanding the vacancy, the JAPAC is functioning quite well. The filling of a vacancy within 60 days is thus deemed superfluous.
2. National Treasury MFMA Circular 65 recommends that the JAPAC should **concur** with the appointment, replacement and/or dismissal of the Chief Audit Executive. This gives the JAPAC a veto right which is irreconcilable with current legal provisions. This thus the reason why it is recommended that the JAPAC be **consulted** with the appointment, replacement and/or dismissal of the Chief Audit Executive.
3. As far as the recommendation that the JAPAC may obtain the services of legal counsel to advise the JAPAC on matters of a legal nature for decision making or recommendations is concerned, the opinion is held that such services are in any case available at the Municipality's Legal Department.
4. The opinion is held that the JAPAC members be remunerated for preparation time at a fixed rate equal to 3 (three) hours remuneration in accordance with the tariffs as prescribed and amended from time to time in terms of National Treasury Regulations.
5. The opinion is held that no other remuneration than that which is provided for in the charter can/must be paid to the JAPAC members.

10. Annexures

Annexure A: Revised Joint Audit and Performance Audit Committee Charter.

RECOMMENDATION TO THE COUNCIL:

that the revised Joint Audit and Performance Audit Committee Charter **be adopted.**

RESPONSIBLE OFFICIAL:

DC VAN DER HEEVER

TARGET DATE FOR IMPLEMENTATION:

1 JUNE 2017

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OVERSTRAND MUNICIPALITY



JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE CHARTER

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments

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1. PURPOSE AND OBJECTIVE

- 1.1 The Joint Audit and Performance Audit Committee (JAPAC) performs the responsibilities assigned to it by section 166 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA), the Local Government: Municipal Systems Act, No. 32 of 2000, corporate governance responsibilities delegated to it under this charter, other applicable legislation and related regulations, circulars issued from time to time by National Treasury and adopted by Council in terms of section 168(3) of the MFMA, guides and best practices and requirements for Good Governance Practices as defined in the King Reports regarding Code of Good Practices and Conduct.

The Code of Corporate Practices and Conduct published in the King [111] Report on Corporate Governance [2011] requires management to publicly confirm that they have reviewed the effectiveness of the system of internal control, risk management, corporate governance and financial reporting of their organisation. The implementation of control and information systems is essential to the effective discharge of the management's responsibilities.

- 1.2 The [**Joint Audit and Performance Audit Committee**] JAPAC [**must thus assist**] assists Council in[, **but not limited to, the**] fulfilling of its oversight responsibilities for the financial reporting process, the system of internal control, the assessment of the risk management process, the audit process[,] and the Municipality's process for monitoring compliance with laws and regulations and the [**code of conduct**] Code of Conduct. [**and performance management.**]

- 1.3 The JAPAC operates as an independent advisory committee of the Overstrand Municipal Council and must

1.3.1 advise the municipal council, the political office bearers, the accounting officer and the management and staff of the municipality on matters relating to-

1.3.1.1 internal financial control and internal audits;

1.3.1.2 risk management;

1.3.1.3 accounting policies;

1.3.1.4 the adequacy, reliability and accuracy of financial reporting and information;

1.3.1.5 performance management;

1.3.1.6 compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicable legislation;

1.3.1.7 performance evaluation; and

1.3.1.8 any other issues referred to it by the municipality.

- 1.4 This charter [**thus**] sets out the specific responsibilities of the [**Joint Audit and Performance Audit Committee**] JAPAC and details the manner in which the [**Joint Audit and Performance Audit Committee**] JAPAC will operate.

2. AUTHORITY

- 2.1 The [**Joint Audit and Performance Audit Committee**] JAPAC is hereby authorised to conduct or authorise investigations into any matter within the scope of its responsibility.

- 2.2 The Overstrand Municipal Council authorises the **[Joint Audit and Performance Audit Committee]** JAPAC to fulfil the responsibilities as set out in this charter. In doing so, the **[Joint Audit and Performance Audit Committee]** JAPAC is authorised to:
- 2.2.1 have full and free unrestricted access to all the activities, records, property and staff of the municipality. All municipal employees are directed to co-operate with any request made by the **[Joint Audit and Performance Audit Committee]** JAPAC;
 - 2.2.2 seek any information it requires from external parties, obtain other independent professional advice and to secure the attendance of any person with relevant experience and expertise if it considers this necessary. Any such appointments shall be made subject to normal tender and procurement procedures of the municipality;
 - 2.2.3 request or invite any relevant person to appear/attend any of its meetings, and, if necessary, to provide information requested by the committee;
 - 2.2.4 conduct investigations into the financial affairs of the municipality as may be requested by the council or the accounting officer of the municipality;
 - 2.2.5 resolve any disagreements between management and the external auditor regarding financial reporting; and
 - 2.2.6 The JAPAC may not perform any management functions or assume any management responsibilities. The JAPAC does not relieve management of their responsibilities but can support them by making objective and independent recommendations.
- 2.3 The Municipal Public Accounts Committee (MPAC), in discharging its responsibilities, may make use of any information provided by the **[Joint Audit and Performance Audit Committee]** JAPAC to avoid duplication of effort.

3. STRUCTURE OF THE JAPAC

3.1 Composition of the **[Joint Audit and Performance Audit Committee]** JAPAC

The **[Joint Audit and Performance Audit Committee]** JAPAC will comprise of not less than three and not more than five members. No councillor or Overstrand municipal official may be a member of the JAPAC. Members of the **[Joint Audit and Performance Audit Committee]** JAPAC will serve on the committee in their individual capacity.

3.2 Appointment, membership, independence and performance assessment

[Members of the Joint Audit and Performance Audit Committee shall] Section 166(5) of the MFMA requires that members of the JAPAC be appointed by the municipal council. Council shall appoint one of the members as the chairperson of the committee. The appointed members will be required to enter into a contract with the Overstrand Municipality. [No councillor or Overstrand Municipal official may be a member of the Joint Audit and Performance Audit Committee.]

The following factors should be considered when selecting the chairperson of the **[Joint Audit and Performance Audit Committee]** JAPAC – that the person:

- 3.2.1 as good standing and ability to lead discussions;
- 3.2.2 creates vision and provides direction at meetings;
- 3.2.3 builds municipal capabilities by guiding management based on expert knowledge and skills;

- 3.2.4 promotes and achieve quality outcomes at meetings;
- 3.2.5 has the ability to effectively advise council of any impending non-compliance within the legislative framework;
- 3.2.6 conducts meetings in a manner that demonstrates a desire to establish effective communication with all stakeholders.

In determining suitable candidates to serve on the **[Joint Audit and Performance Audit Committee]** JAPAC and maintaining a balanced composition, members will be selected from different areas of expertise. The municipal council should seek to appoint candidates who have the ability to:

- 3.2.7 perform the roles as advisors to management;
- 3.2.8 communicate effectively with management;
- 3.2.9 carefully review information received and obtain clarification from management as and when appropriate, and follow up on any matter that is unclear;
- 3.2.10 conduct responsibilities in the context of the municipality's strategic objectives and overall corporate governance of the council;
- 3.2.11 act independently and be proactive in advising the accounting officer regarding issues that require management attention;
- 3.2.12 build relations with management;
- 3.2.13 have a professional approach to performing duties, including commitment of time and effort, and that;
- 3.2.14 each committee member must be independent and appropriately skilled.

Collectively, the appointed **[Joint Audit and Performance Audit Committee]** JAPAC members should possess the following skills and experience:

- 3.2.15 private and public sector experience;
- 3.2.16 an understanding of service delivery priorities;
- 3.2.17 good governance and/or financial management experience;
- 3.2.18 an understanding of the role of council and councillors;
- 3.2.19 an understanding of the operations of the municipality;
- 3.2.20 **[familiarity]** familiar with risk management practices;
- 3.2.21 an understanding of internal controls;
- 3.2.22 an understanding of major accounting practices and public sector reporting requirements;
- 3.2.23 an understanding of public sector reforms;
- 3.2.24 **[familiarity]** familiar with legislation applicable to municipalities;
- 3.2.25 an understanding of the roles and responsibilities of the internal and external auditors;
- 3.2.26 an understanding of the treatment of allegations and investigations; and
- 3.2.27 an understanding of the performance management system.

3.3 Membership and independence

In order to be effective, the **[Joint Audit and Performance Audit Committee]** JAPAC will be independent and safeguarded from any undue influence in exercising its responsibilities in an objective manner. To enhance the **[Joint Audit and Performance Audit Committee]** JAPAC functioning, the following will be required:

- 3.3.1 the **[Joint Audit and Performance Audit Committee]** JAPAC chairperson and members must be independent of the municipality;
- 3.3.2 the **[Joint Audit and Performance Audit Committee]** JAPAC chairperson and members **[should]** shall not be biased but exhibit an independence of mental attitude during deliberations;
- 3.3.3 all **[Joint Audit and Performance Audit Committee]** JAPAC members must declare private and business interest relevant to the subject matter(s) of the meeting [in] at every meeting; and
- 3.3.4 all JAPAC members **[should]** shall not carry out any business with the municipality.

3.4 Term of office of JAPAC members

- 3.4.1 The chairperson shall be appointed for a minimum of three (3) years to ensure that he/she contributes most effectively and provides stability to the JAPAC.
- 3.4.2 Other JAPAC members should serve at least a minimum of three (3) years with the option by the council to renew the term for another three (3) years, based on performance of the member.
- 3.4.3 The term of office of any JAPAC member must not exceed two (2) consecutive terms of three (3) years each.
- 3.4.4 Vacancies in the JAPAC must be filled in accordance with paragraph 3.4.2 above.
- 3.5.5 After serving consecutively for six (6) years, a cooling off period of two (2) years should be applied before re-appointing the same member to the JAPAC.

[3.4]3.5 Induction of [Joint Audit and Performance Audit Committee] JAPAC members

A formal process of induction must be facilitated by the Chief Audit Executive in consultation with the Accounting Officer. During the induction of the **[Joint Audit and Performance Audit Committee]** JAPAC members, the roles and responsibilities of the **[Joint Audit and Performance Audit Committee]** JAPAC must be clarified. The induction processes should entail sufficient briefings and information on their roles, responsibilities, accountability and management expectations. New members should meet and be briefed by the Accounting Officer, Chief Financial Officer, Director of Management Services, Chairperson of the **[Joint Audit and Performance Audit Committee]** JAPAC and the **[Head of Internal Audit]** Chief Audit Executive. New members should also be introduced to external auditors. The information to be provided to new members should include:

- 3.5.1 the municipality's governance and operational structures and how the **[Joint Audit and Performance Audit Committee]** JAPAC operates within this structure;
- 3.5.2 a copy of the **[Joint Audit and Performance Audit Committee]** JAPAC's Charter including any policies, recent **[Joint Audit and Performance Audit Committee]** JAPAC minutes, Audit management letter, audit opinion, including details of outstanding issues, council resolutions and recommendations presented to the municipal council;
- 3.5.3 copies of the relevant legislation;

- 3.5.4 copies of the latest municipality's annual report, annual financial statements, integrated development plan, budget, service delivery and budget implementation plans, in-year reports, code of conduct, performance agreements, risk register and risk management plans;
- 3.5.5 information from management and internal audit on the risk profile, status of internal controls and system of delegation; and
- 3.5.6 a copy of the Internal Audit Charter and annual work plans.

3.6 Performance assessment

- 3.6.1 The **[Joint Audit and Performance Audit Committee]** JAPAC should assess its performance and achievements against its charter on an annual basis. The assessment must cover the performance of the individual member as part of the overall **[Joint Audit and Performance Audit Committee]** JAPAC with reference to the particular skills the member has brought to the **[Joint Audit and Performance Audit Committee]** JAPAC as a whole.
- 3.6.2 The aim of the self-assessment is to ensure that the **[Joint Audit and Performance Audit Committee]** JAPAC is meeting its objectives efficiently and effectively. The findings of the self-assessment should be presented by the chairperson to the Accounting Officer and Overstrand Municipal Council.
- 3.6.3 Where the self-assessment highlights a need for enhancements to the role, operational processes, or membership of the committee, the chairperson should take action to ensure that such enhancements are implemented. The chairperson may need to consult with the accounting officer and municipal council to obtain appropriate support to ensure all enhancements are implemented.
- 3.6.4 Where the **[Joint Audit and Performance Audit Committee]** JAPAC is not performing in accordance with the **[Joint Audit and Performance Audit Committee]** JAPAC Charter and this has been observed by various stakeholders for example, external audit, internal audit or management, this or other issues will **[need to]** be brought to the attention of the accounting officer and municipal council.
- 3.6.5 If an individual **[Joint Audit and Performance Audit Committee]** JAPAC 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 service of a **[Joint Audit and Performance Audit Committee]** JAPAC member prior to the end of the term of appointment, proper procedures should be followed.

3.7 Reporting

The chairperson of the **[Joint Audit and Performance Audit Committee]** JAPAC will prepare a report **[to the Overstrand Municipal Council]** on the operations of

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the Internal Audit unit and the **[Joint Audit and Performance Audit Committee]** JAPAC and will submit its report to the Overstrand Municipal Council on a quarterly basis. The reporting should include a summary of the work performed by Internal Audit and the **[Joint Audit and Performance Audit Committee]** JAPAC against the annual work plan, issues, and related recommendations. Other reporting responsibilities include:

- 3.7.1 report to the Overstrand Municipal Council about the **[Joint Audit and Performance Audit Committee]** JAPAC's activities, issues and related recommendations when deemed appropriate;
- 3.7.2 provide an open avenue of communication between Internal Audit, the external auditors, and the Overstrand Municipal Council;
- 3.7.3 review any other reports and issues related to the **[Joint Audit and Performance Audit Committee]** JAPAC responsibilities;
- 3.7.4 report annually in the Annual Report, describing the committee's composition, the effectiveness of internal controls, comment on its evaluation of the annual financial statements and confirming that all responsibilities outlined in this charter have been carried out.

The **[Joint Audit and Performance Audit Committee]** JAPAC may forward specific **[Joint Audit and Performance Audit Committee]** JAPAC meeting minutes and reports to the Municipal Council.

Any material findings shall immediately be reported to the Accounting Officer, the Auditor-General and **[to]** the Executive Mayor and where appropriate the **[Joint Audit and Performance Audit Committee]** JAPAC may also report to **[higher]** other authorities

4. ROLES AND RESPONSIBILITIES

4.1 Internal Audit

The **[Joint Audit and Performance Audit Committee]** JAPAC shall be consulted with the appointment, replacement and/or dismissal, of the **[head of the Internal Audit unit]** Chief Audit Executive. In the event of replacement, dismissal, resignation or early retirement of the head of the Internal Audit unit, the full detail of the circumstances surrounding the action must be revealed to the **[Joint Audit and Performance Audit Committee]** JAPAC.

The **[Joint Audit and Performance Audit Committee]** JAPAC shall ensure that the Internal Audit unit perform their responsibilities effectively and efficiently by:

- 4.1.1 reviewing and approving the Internal Audit Charter;
- 4.1.2 reviewing the organizational structure, competence and qualifications of the Internal Audit Unit;
- 4.1.3 reviewing the plans and budgets of the Internal Audit Unit. Ensuring that the plan addresses the high risk areas and that adequate resources are available;
- 4.1.4 reviewing the audit results and action plans of management;
- 4.1.5 evaluating the performance and effectiveness of Internal Audit;
- 4.1.6 requesting specific audit projects where necessary;

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- 4.1.7 reviewing results of quality assessment reviews;
- 4.1.8 meeting separately with Internal Audit to discuss matters that the **[Joint Audit and Performance Audit Committee]** JAPAC believe should be discussed privately;
- 4.1.9 reviewing management requests for extra work to be carried out by Internal Audit in particular areas of accounting and control systems;
- 4.1.10 ensuring that Internal Audit's work is co-ordinated with that of External audit;
- 4.1.11 ensuring that internal auditors are independent and objective and that there are no restrictions or limitations placed on the internal auditors; and
- 4.1.12 ensure that there is support for the Internal Audit unit and external auditors from senior management.

4.2 External Audit

The **[Joint Audit and Performance Audit Committee]** JAPAC shall also-

- 4.2.1 ensure that there are no restrictions or limitations placed on the external auditors;
- 4.2.2 review the external auditors' proposed audit scope and approach, including co-ordination with internal audit;
- 4.2.3 review audit results, quality and contents of the financial information and action plans of management;
- 4.2.4 consider significant disagreements between external auditors and management;
- 4.2.5 consider material unsolved accounting and auditing problems;
- 4.2.6 ensure direct access by the external auditors to the **[Joint Audit and Performance Audit Committee]** JAPAC and the Chairperson of the **[Joint Audit and Performance Audit Committee]** JAPAC or Accounting Officer, as appropriate;
- 4.2.7 **[review the performance of the external auditors]** review the fees and other expenses to be paid to the Auditor-General;
- 4.2.8 meet separately with the external auditors to discuss matters that the Committee or the auditors believe should be discussed privately;
- 4.2.9 identify key matters arising in the current year's management letter and satisfy them self that **[it (matters)]** these matters are being addressed properly;
- 4.2.10 review interim reports issued in order to take cognizance of the issues raised in determining the follow up work of the Internal Audit;
- 4.2.11 conduct a review of the extent to which previously reported findings by the external auditors have been addressed by the municipal council;
- 4.2.12 provide advice to the accounting officer on actions taken relating to significant matters raised in external audit reports; and
- 4.2.13 address outstanding matters raised by the external auditors and ensure that findings are dealt with conclusively in an expeditious manner.

4.3. Annual Financial Statements

The Municipality's annual financial **statements [(including relevant information and lead schedules)]** should be reviewed by the **[Joint Audit and Performance Audit Committee]** JAPAC at least two weeks before submission to the Auditor-General. The process and timelines for the **[Joint Audit and Performance Audit Committee]** JAPAC meetings should be changed accordingly.

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The **[Joint Audit and Performance Audit Committee]** JAPAC must review the annual financial statements to provide the Overstrand Municipality with an authoritative and credible view of the financial position of the municipality.

Specifically with regards to Annual Financial Statements, the **[Joint Audit and Performance Audit Committee]** JAPAC should:

4.3.1 Review and challenge where necessary –

- 4.3.1.1.1** arithmetical accuracy and consistency;
- 4.3.1.2** consistency of, and any changes to, accounting policies, comparing to prior years;
- 4.3.1.3** methods used to account for significant or unusual transactions where different approaches are possible;
- 4.3.1.4** whether the Municipality has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account previous audit outcomes;
- 4.3.1.5** the quality of disclosure in the Municipality's financial reports and the context in which statements are made;
- 4.3.1.6** 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);
- 4.3.1.7** all material issues in prior reports by the **[AGSA]** Auditor-General have been appropriately accounted for, resulting in fair presentation; and
- 4.3.1.8** conduct analysis of trends and other financial ratio calculations e.g. year on year comparisons and composition of primary group **[e.g.]** such as salaries as a component of operations, whether operations are undertaken on a sustainable basis, operations at surplus or deficit, efficient and solvency ratios, etc.

4.4 Risk Management

Risk management is an essential part of effective corporate governance and whilst it is a management responsibility, management expects the **[Joint Audit and Performance Audit Committee]** JAPAC to oversee and provide advice on matters relating risk management.

The **[Joint Audit and Performance Audit Committee]** JAPAC should understand and consider the major risk areas including the financial, legal and fiscal risks and the internal control environment. The **[Joint Audit and Performance Audit Committee]** JAPAC should monitor the control process and the adequacy of the system of internal control by viewing internal and external audit reports and should:

- 4.4.1** be constantly aware of the current high risk areas and ensure management is effectively managing those risks;
- 4.4.2** satisfy itself with regards to the integrity and prudence of management control systems, including the review of policies and/or practices (procedures);
- 4.4.3** ensure that the Municipal Council and management are aware of matters that came to the **[Joint Audit and Performance Audit Committee]** JAPAC's attention that might have a significant impact on the financial condition or affairs of the municipality;
- 4.4.4** monitor risks and ensure that appropriate controls are in place, to accomplish the objectives set out in the mission statement, municipal strategic plan and any other transformation processes;

- 4.4.5 communicate with internal and external auditors any fraudulent activities, suspected fraud or fraud investigation being conducted which they are aware of;
- 4.4.6 discuss with the internal and external auditors any concerns about the nature, extent and frequency of management assessment of the accounting and control systems in place, to prevent and detect fraud;
- 4.4.7 notify the **[Municipal Council]** Executive Mayor as per the municipality's Standard Procedures for the Management of Allegations of Misconduct against Senior Managers or the Municipal Manager in terms of Disciplinary Regulations when the accounting officer has been implicated in fraud, corruption or gross negligence, and
- 4.4.8 review the controls designed to ensure that municipal assets are safeguarded.

4.5 Internal Control Environment

The **[Joint Audit and Performance Audit Committee]** JAPAC members need to have a good understanding of the internal control environment[,] and in fulfilling this responsibility the committee should:

- 4.5.1 ensure that management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control;
- 4.5.2 establish whether management has relevant policies and procedures in place and that these are adequate, effective and regularly updated;
- 4.5.3 determine whether appropriate processes are followed and complied with on a regular basis;
- 4.5.4 consider measures applied on any required changes to the design or implementation of internal controls;
- 4.5.5 assess steps taken by management to encourage ethical and lawful behavior; financial discipline and accountability for use of public resources;
- 4.5.6 review internal and external auditor's written reports concerning compliance, any significant findings and recommendations, and follow-up on the implementation of recommendations;
- 4.5.7 monitor developments and changes in the law relating to the responsibility and accountability of management and review the extent to which management is meeting its obligations; and
- 4.5.8 ensure legal counsel regarding compliance, where necessary.

4.6 Performance Management

The **[Joint Audit and Performance Audit Committee]** JAPAC members need to have a good understanding of the performance of the municipality. Its responsibilities shall include:

- 4.6.1 review and comment on compliance with statutory requirements and performance management best practices and standards, and the municipality's performance management policy;
- 4.6.2 review and comment on the alignment of the Integrated Development Plan (IDP), the **[Budget,]** Service Delivery and Budget Implementation Plan (SDBIP) and performance agreements;
- 4.6.3 review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the municipality;
- 4.6.4 review compliance with in-year reporting requirements;
- 4.6.5 review the quarterly performance reports submitted by Internal Audit;
- 4.6.6 review and comment on the municipality's annual financial statements and timely submissions to the Auditor-General by 31 August each year;
- 4.6.7 review and comment on the municipality's annual reports within the stipulated timeframes; **[and]**

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4.6.8 review and comment on the municipality's performance management system and make recommendations for its improvement[.]; and

4.6.9 participate by the Chairperson of the JAPAC in the bi-annual performance appraisal of the management team as an observer.

4.7 Information Technology (IT) Governance

The **[Joint Audit and Performance Audit Committee]** JAPAC 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 **[Joint Audit and Performance Audit Committee]** JAPAC to formulate recommendations on systems and controls. The **[Joint Audit and Performance Audit Committee]** JAPAC may have to provide advice on the appropriateness of disaster recovery and continuity plans supporting IT risks, regular testing and evaluation of plans, systems and processes.

4.8. Relationship with stakeholders

The **[Joint Audit and Performance Audit Committee]** JAPAC is required to maintain a good relationship with key stakeholders, such as:

4.8.1 Overstrand Municipal Council

4.8.2 Municipal Public Accounts Committee

4.8.3 Portfolio Committees of Finance and Management Services

4.8.4 Accounting Officer

4.8.5 Management and municipal officials

4.8.6 Internal and External Auditors

4.8.7 Provincial Treasury

4.8.8 National Treasury

4.9. Compliance with laws, regulations, ethics, policies and procedures

The **[Joint Audit and Performance Audit Committee]** JAPAC shall ensure that the management of the municipality has the necessary mechanisms in place to ensure compliance with pertinent laws and regulations and is conducting its affairs ethically. This must include maintaining effective controls against conflicts of interest, fraud and corrupt practices.

The specific steps involved in carrying out this responsibility shall include:

[reviewing policy documents which should incorporate compliance with laws, regulations, ethics, policies, rules regarding conflict of interest;

- **monitoring the compliance with the policy documents; and**
- **taking note of significant cases of conflict of interest, misconduct, or fraud and the resolution of the cases.]**

4.9.1 Review the effectiveness of all systems for monitoring compliance with relevant laws and regulations in terms of the JAPAC's mandate and authority; and

4.9.2 Review whether all regulatory compliance have been considered in the preparation of the financial statements and performance management processes and reports

5. Meetings

[A minimum of four meetings shall be held during a year.]

The JAPAC must meet as often as required to perform its function but has to meet at least four (4) times per annum.

The **[Joint Audit and Performance Audit Committee] JAPAC** shall agree on an annual meeting plan that will be prepared by the Chief Audit Executive.

Special meetings of the **[Joint Audit and Performance Audit Committee] JAPAC** may be convened as required. Any member of the **[Joint Audit and Performance Audit Committee] JAPAC** may call a special meeting. The Internal or External Auditors may request a meeting with the JAPAC if they consider that one is necessary.

The **[Joint Audit and Performance Audit Committee] JAPAC** may hold private meetings with internal and external auditors and executive sessions as necessary.

5.1 Quorum

The quorum for meetings will be **[50 % plus one member] three (3) members.**

5.2 Notice of meetings

Notice shall be given to all members of the **[Joint Audit and Performance Audit Committee] JAPAC** and other interested parties[,] of each meeting to be held[,] within a reasonable time prior to the date on which such meeting is to be held.

5.3 Agenda of meetings

The agenda of the meeting shall be prepared in consultation with the Chairperson of the JAPAC and distributed at least seven (7) days prior to the meeting date. Any person attending the meeting may add items to the agenda two (2) days before the **[agenda is finalised] meeting.** Such items should be provided to the Internal Audit unit who will act as the secretariat of the **[Joint Audit and Performance Audit Committee] JAPAC.**

5.4 Minutes of meetings

The proceedings of all meetings will be documented in minutes.

The Internal Audit unit shall keep minutes of all JAPAC meetings. The minutes of the JAPAC meetings shall be compiled within seven (7) days of the date of the meeting and shall be included in the [minutes with the] agenda of the next [Joint Audit and Performance Audit Committee] JAPAC meeting.

6. Remuneration

[Joint Audit and Performance Audit Committee] JAPAC members not being in the public service shall be remunerated for their services on the **[Joint Audit and Performance Audit Committee] JAPAC** based on preparation time and meetings attended. The Chairperson of the **[Joint Audit and Performance Audit Committee] JAPAC** shall be paid additional remuneration for such attendance and for services related to the **[Joint Audit and Performance Audit Committee] JAPAC.**

The **[Joint Audit and Performance Audit Committee]** JAPAC members shall be remunerated for meeting attendance in accordance with the day tariff as prescribed and amended in terms of National Treasury Regulations from time to time.

The JAPAC members shall be remunerated for preparation time at a fixed rate equal to 3 (three) hours remuneration in accordance with the tariffs as prescribed and amended from time to time in terms of National Treasury Regulations.

The amount payable is an all-inclusive amount less any deductions which the Overstrand Municipality may require to make in respect of Tax. The municipality shall not be obliged to pay any amounts to any pension fund or medical aid on behalf of the member.

The Joint Audit and Performance Audit Committee members shall be reimbursed for kilometres travelled in accordance with the applicable legislation.

7. Review period

The **[Joint Audit and Performance Audit Committee]** JAPAC Charter will be reviewed[,] by the **[Joint Audit and Performance Audit Committee]** JAPAC at least on an annual basis and submitted to the Overstrand Municipal Council for **[approval]** consideration.

Policy Section:	Internal Audit Services
Approval by Council:	25 May 2016
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