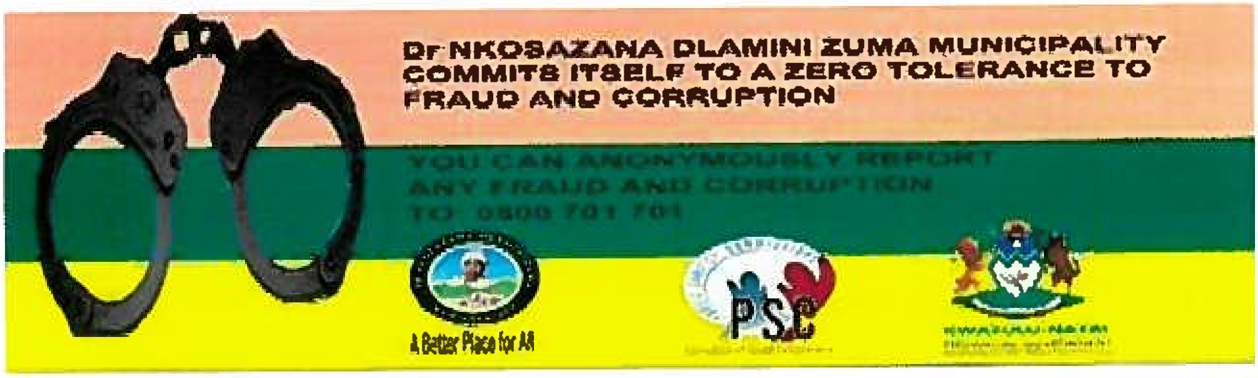
DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

AUDIT AND PERFORMANCE AUDIT COMMITTEE CHARTER

2026/2027



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GENERAL DEFINITIONS

In this Audit Committee Charter, unless the context indicates otherwise, a word or expression to which a meaning has been given, has the same meaning: –

Accounting Officer:	means the Municipal Manager
Act:	means the Municipal Finance Management Act (MFMA) 56 of 2003
Committee:	means the Audit Committee (AC) Committee established in terms of Section 166 of the Act
Chief Audit Executive (CAE):	means the Head of the Internal Audit Unit of the municipality
Chief Financial Officer (CFO):	means the employee designated in terms of section 80(2) (a) of the Act
Local Municipality:	means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality
Employee:	means a person in the employ of the Local Municipality
External Auditors:	means the Auditor – General South Africa (AGSA)
Internal Audit Function:	means in-house or outsourced internal auditors

LEGISLATION

The following legislation is observed and associated with the Audit Committee:

1.1. The Constitution of the Republic of South Africa, Act 108 of 1996 as mended, [Chapter 10, Section 195(1) (a)-(i) and Chapter 7, Section 152(1)(a) -(e) and 152(2)]

1.2. Local Government Municipal Systems Act: Municipal Planning Performance Management Regulations (Gazette 22605) (Regulation Gazette 7146) 24 August 2001 (S14(2) Not applicable for entities

1.3. Local Government: Municipal Structure, Act 117of 1998 as amended, [Section 79(1)(a) -(c) and Section 79(2)(a)-(f)]

1.4. Local Government: Municipal Finance Management Act, Act 56 of 2003 [Section 166]

1.5. Internal Professional Practice of Internal Auditing

1.6. Global Internal Audit standards

1. INTRODUCTION

As part of the Council's legal requirement to demonstrate greater accountability and transparency in meeting the objectives in its integrated development plan, an independent audit and performance audit committee has been established.

The council of the Dr Nkosazana Dlamini Zuma Municipality decided, on the grounds of economy, efficiency and effectiveness, to establish a dual-purpose committee to be known as the "Audit and Performance Audit Committee of the Dr Nkosazana Dlamini Zuma Municipality".

2. PURPOSE STATEMENT

The purpose of the committee is to assist council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the performance management process, the audit process, and the organization's process for monitoring compliance with laws and regulations and the codes of conduct.

3. AUDIT COMMITTEE'S MANDATE

3.1 The broad objectives of the Audit Committee are the following: -

3.1.1 The Audit Committee is advisory in nature and does not have any executive powers.

3.1.2 The Audit Committee will consider matters relating to management and the Council/Board in the discharge of its duties to safeguard assets, operate adequate systems and controls, and prepare annual financial statements, and on matters relating to performance management and performance evaluation.

3.1.3 The Audit Committee will not perform any management functions or assume any management responsibilities as this could prejudice its objectivity. It will make recommendations to the Council/Board in respect of the activities which form part of its terms of reference / responsibilities

4. ROLE

The role of the Committee is to provide independent oversight and assistance to the Council/Board and Municipal Manage on governance, risk management and internal control. The Committee does not replace established management responsibilities and delegations. The Committee will provide the Municipal Manager with prompt and constructive reports on its findings, especially when issues are identified that could present a material risk to the Municipality.

5. COMPOSITION OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE

The appointment of Audit Committee members is set out in section 166(5) of the MFMA, Act 53 of 2003. The audit committee members are appointed by the Council/Board and shall consist of at least three (3) members. No councillor/executive may be a member of the Audit Committee.

The 3 members are all independent of the Municipality and will be appointed by the Council/Board. The Chairperson of the Committee must be appointed from the appointed members and will be independent of the organisation and will not be a political office bearer. No Councillor shall serve on the committee. The Committee is constituted to ensure independence and its membership will be disclosed in the annual report of the Municipality. Members will be selected for different areas of expertise and the roles and responsibilities of the Audit Committee will be used as the baseline in appointing members. All members appointed to the Audit Committee shall enter into a contract with the Municipality setting out the terms and conditions of service. The Committee collectively (not necessarily individually) should have:

- Private and public-sector experience;
- An understanding of service delivery priorities;
- Good governance and/or financial management experience;
- An understanding of the role of the Council/Board and councilors/board members;
- An understanding of local government;
- Familiarity with risk management practices;
- An understanding of internal controls;
- An understanding of major accounting practices and public-sector reporting requirements;
- An understanding of public sector reforms;
- Familiarity with legislation applicable to Municipalities/Municipal Entities;
- An understanding of the roles and responsibilities of internal and external auditors;
- An understanding of the treatment of allegations and investigations;
- An understanding of the performance management system; and

An understanding of legal and information and communication technology Member terms and conditions are disclosed in the letter of appointment

6. MEMBERSHIP

6.1 The members of an audit committee must be appointed by the council of the municipality. One of the members who is not in the employ of the municipality must be appointed by the council as the chairperson of the committee. No councilor may be a member of an audit committee.

6.2 The appointed members should enter into a contract with the municipality. according to the approved terms of reference

6.3 In the event that a senior official from another municipality is requested to serve as a member of the audit committee, such official must first obtain written consent from the accounting officer of that municipality before accepting such nomination.

6.4 Members will hold office for an initial term of 3 years after which they will be eligible for reappointment for a further period of 3 years depending on performance. Recruitment of members should preferably be staggered to maintain continuity of the institutional memory. Members of the audit committee should not be contracted continuously for a period exceeding six years. The recruitment process of new members should be concluded at least three months in advance of the expiry of the existing member's term. The head of internal audit and the accounting officer must maintain records of audit committee member contracts and ensure that recruitment is undertaken as mentioned above. After serving consecutively for six years a cooling-off period of two years should be provided for before appointing the member to the same audit committee.

6.5 The chairperson shall be independent, knowledgeable of the requirements and status of the position and possess financial and leadership skills. The position of Chair should be rotated amongst the members every three years.

6.6 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties.

6.7 The committee members must keep up to date with developments affecting their role within the municipality. Members must also ensure that they act in good faith and for proper purpose, in the best interests of the municipality, and with the necessary care, skill and diligence.

6.6. Only the council may authorize the premature termination of the services of a member of the committee.

6.7 Members should be encouraged not to terminate their contracts until they have shared their knowledge with other new members. As such a committee member should give two months written notice prior to close of duty.

6. 8. The outgoing member should have the opportunity to have an exit meeting with the council to discuss the reason for leaving and to provide feedback on their experience on the audit committee as well as any other possible issues.

6. 9 Upon premature termination of the membership of any member of the committee such member must provide to the council a written statement as to whether or not, to the best of their knowledge and belief, they are aware of any material irregularities in the affairs of the municipality and must provide the facts that they are aware of to support their statement.

6.10 Committee members can be dismissed by the municipal council under certain circumstances. The municipal council should consult the charter when dismissing members of the committee. Reasons for dismissal would normally be detailed in the letter of appointment / contract agreement. Examples would be where an on-going conflict of interest exists or where a member has not performed to expectations.

6.11 The official dismissal processes as they relate to the municipality should be adhered to by the accounting officer and council when an audit committee member is being dismissed. Where appropriate the dismissal process should be linked to the charter and member's performance assessment. The dismissal of a member can only be approved by the council. The outcome of the dismissal process should be in writing.

6.12 In the event of a vacancy the municipality must fill the position for the unexpired period of the vacating member's contract. A vacancy must be published in the local press inviting applications. The municipality will adjudicate the applications / nominations, arrange interviews, and select the most suitable candidates for final approval by the council.

6.11 A formal process of induction must be facilitated by the internal auditor in consultation with the accounting officer. During the induction of members, the roles and responsibilities of the audit committee must be clarified. The induction process should include briefings and information on members' roles, responsibilities, accountability, and management's expectations. Induction of members can also be facilitated by Provincial Treasury or National Treasury, upon request.

6.12. New members should meet and be briefed by the accounting officer, chief financial officer, chairperson of the audit committee and the head of internal audit. New members should also be introduced to the external auditors. The information to be provided should include:

- The municipality's governance and operational structures and how the audit committee operates within this structure;
- Copy of the audit committee's charter, including any policies, recent audit committee minutes, AG's management report and audit opinion including details of outstanding issues, council resolutions and recommendations presented to the municipal council;
- Copies of relevant legislation;
- Copies of the latest annual report, annual financial statements, integrated development plan, budgets, service delivery and budget implementation plans, in-year reports, code of conduct, performance agreements, risk register and risk management plans;

- Information from management and the internal auditor on the risk profile, status of internal controls and system of delegations; and

- A copy of the internal audit unit charter and annual auditing plan.

7 PERFORMANCE MANAGEMENT

7.1 **Section 45 of the Municipal Systems Act** (audit of performance measurements) requires that the results of performance measurements made in terms of section 41 (1) (c) must be audited as part of the municipality's internal auditing processes.

7.2 In addition, **Regulation 14 of the Municipal Planning and Performance Regulations, 2001** requires, *inter alia,* that this auditing includes:

- An assessment of the functionality of the municipality's performance management system.
- An assessment of whether the municipality's performance management system complies with the Municipal Systems Act.
- An assessment of the reliability of performance measures made in terms of Regulations 9 (the municipality's own KPIs) and 10 (the general KPIs).
- Submission of quarterly reports on these audits to the municipal manager and the performance audit committee.

7.3 Regulation 14 also provides that:

7.3.1 A municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of whom may not be involved in the municipality as a councilor or an employee.

7.3.2 A performance audit committee appointed in terms of paragraph (a) must include at least one person who has expertise in performance management.

7.3.3 A municipality may utilize any audit committee established in terms of other applicable legislation as the performance audit committee envisaged in paragraph (a), in which case the provisions of this sub-regulation, read with the necessary changes, apply to such an audit committee.

7.3.4 The council of a municipality must designate a member of the performance audit committee who is not a councilor or an employee of the municipality as chairperson of the committee.

7.3.5 If the chairperson of the performance audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting.

7.3.6 In the event of a vacancy occurring amongst the members of the performance audit committee, the municipality must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

7.3.7 The municipality must provide secretarial services for its performance audit committee.

7.3.8 A member of the performance audit committee who is not a councilor or an employee of the municipality concerned, may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor-General. However, in the case of the Dr Nkosazana Dlamini Zuma Municipality the rates payable to members have been determined by the Council and are set out below in this Charter.

7.3.9 The committee is both an audit and performance audit committee. It will meet four times per year.

7.4 A performance audit committee must-

7.4.1 Review the quarterly reports submitted to it by the internal audit unit.

7.4.2 Review the municipality's performance management system and make recommendations in this regard to the council; and

7.4.3 At least twice during a financial year submit an audit report to the municipal Council

7.4.4 In reviewing the municipality's performance management system in terms of paragraph (a)(ii), the performance audit committee must focus on economy, efficiency, effectiveness, and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

7.5 A performance audit committee may -

7.5.1 Communicate directly with the council, municipal manager, or the internal and external auditors of the municipality.

7.5.2 Access any municipal records containing information that is needed to perform its duties or exercise its powers;

7.5.3 Request any relevant person to attend any of its meetings, and if necessary, to provide information requested by the committee; and

7.5.4 Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

8. AUTHORITY

The Audit Committee is constituted in terms of s166 of the MFMA and performs responsibilities assigned to it by s166 of the Act and corporate governance code (King IV™). The Committee is directly accountable to the Council/Board. In discharging its responsibilities, the Committee has authority to:

- conduct or authorize investigations into any matters within its scope of responsibility;
- access any information, records and officials as it requires to fulfill its responsibilities;
- request the attendance of any executive or official; at Committee meetings;
- conduct meetings with External Auditors (Auditor-General) and Internal Auditors as deemed necessary;
- obtain advice from external parties as deemed necessary;
- facilitate any disagreements between management and the external auditor regarding financial reporting

8.1 **The audit committee may -**

- Communicate with the council, municipal manager, or the internal and external auditors of the municipality,
- 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; and
- Conduct investigations into the financial affairs of the municipality, as may be requested by the council of the municipality.

8.2. The committee will not perform any management functions or assume any management responsibilities as this could prejudice the objectivity of the committee. It will mainly make recommendations to council resulting from the activities carried out by the committee according to its terms of reference.

9. MEETINGS

9.1 The audit committee operates as a committee of the council. It will meet at least four times a year with authority to convene additional meetings as circumstances require. All audit committee members are expected to attend each meeting; provided that apologies for leave of absence should be tendered to the committee chairperson in writing, stating the reasons – refer to paragraph 5.1.2 below. The audit committee will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary.

9.2 Written notice of meetings must be given to all members and others attending at least 10 working days before the meeting in the case of ordinary meetings, and 3 working days in the case of special meetings.

9.3 In the event of a member failing to attend 2 consecutive meetings without an apology or valid reason that is acceptable to the committee, his or her contract of engagement as a committee member may be terminated with immediate effect without the municipality having to give notice thereof to the member.

9.4 Agendas of items to be discussed plus briefing materials must be distributed at least 5 working days before ordinary meetings and 2 working days before special meetings.

9.5 The following persons must have a standing invitation and attend all meetings:

- Municipal Manager
- Internal Audit Manager
- Chief Financial Officer
- Heads of department of the municipality
- External auditor (Auditor-General)
- MPAC Chair
- Cogta finance section
- Cogta performance section
- Provincial Treasury
- National Treasury
- Any other person on invitation by the chairperson of the committee

9.6 Meetings of the committee will be closed to the public. However, the public may gain access to meetings by application to the municipal manager who must, after discussion with the chair, consider the relevance and content of the matters to be raised. If necessary, the application may be forwarded to the relevant portfolio committee.

9.7 50% plus one of the total numbers of members comprising the audit committee must be at the meeting for a quorum to exist for the meeting to be property constituted. In case where there is no quorum, the meeting will have to be reconvened

9.8 Members must be thoroughly prepared for meetings in order to provide appropriate and constructive input on matters discussed.

9.9 At least once per year or when their circumstances change, committee members must declare, in writing, their business and private interests in the functioning of the municipality. They should also declare that all matters coming to their attention in the course of their duties have been treated with the strictest confidentiality.

9.10 There must be a standing item on the agenda of every committee meeting those members be given an opportunity to disclose their business or private interests in any item included on that agenda.

9.11 the agendas for each committee meeting should include risk management and governance issues as standing items for all meetings.

9.12 the proceedings at meetings must comply with the standing rules of order of the council and must be recorded.

9.13 the corporate services department must prepare accurate minutes of meetings. These must be circulated within 14 days after each meeting for information and comments and then tabled for approval at the next meeting.

9.14 Committee members must, once per year, complete the standard Declaration of Interest Forms that are used by the municipality for Councilors and staff members.

9.15 Any person that is involved in the meetings of the committee may not:

9.16 Use their position to promote any special financial or other interests including, but not limited to, the interest of any individual, company or other entity.

9.17 Act in a manner that is inconsistent with their role in the meeting.

9.18 Expose them to any situation involving the risk of conflict between their professional responsibilities and their personal interests.

9.19 Act in a manner that may compromise the credibility, integrity or working of the committee or of the municipality.

10. RESPONSIBILITIES

The committee will carry out the following responsibilities (these will be summarized in an Annual Work Plan which is prepared by the committee at the start of each financial year, and which sets out the timing of each main task and associated output):

10.1 Risk management

(i) The committee is an integral part of the risk management process and specifically the committee must oversee:

- financial reporting risks;
- internal financial controls;
- fraud risks as they relate to financial reporting; and
- ICT risks as they relate to financial reporting.

(ii) The committee must review the adequacy and effectiveness of the design, implementation and monitoring of the municipality's risk management process and its integration into its day-to-day activities, including:

- A review of the significant risks facing the municipality and the appropriateness of management's responses to these risks.
- Consideration of the appropriateness of management's risk appetite and risk tolerance in terms of the risk management strategy set by the council.
- Ensuring that a formal risk assessment is undertaken at least once a year.
- Ensuring the implementation by management of risk mitigation plans.

(iii) Responsibility with respect to risk management includes review of the municipality's statement on risk management in the annual report.

10.2 Performance management and evaluation

10.2.1 Review and evaluate the effectiveness of the framework that describes how the municipality's processes of performance planning, monitoring, measurement, review, reporting and improvement are organized, conducted and managed and make recommendations for improvement

10.2.2 Review and comment on compliance with statutory requirements and performance management best practices and standards.

10.2.3 Review and comment on relevance of indicators to ensure they are SMART and relate to services performed by the municipality

10.2.3 The committee must focus on efficiency, economy, and effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

10.2.4 Review and evaluate the mechanisms, systems and processes devised by internal audit to audit the results of performance measurements.

10.2.5 Review and comment on the alignment of the integrated development plan, organisational scorecard, budget, and service delivery and budget implementation plan and performance agreements;

10.2.6 Review compliance with in-year reporting requirements;

10.2.7 Review the quarterly reports on performance submitted to it by the internal audit unit.

10.2.8 Submit twice-yearly reports to council regarding its assessment of the effectiveness of the performance management system.

10.2.9 Review the annual performance report prior to submission to the Auditor General for auditing

10.2.10 Ensure alignment of the results of performance assessments, with the proposed annual performance bonuses, prior to payment of these bonuses.

10.2.11 Recommend appropriate sanctions in cases of continuous under-performance.

10.3 Ethics

10.3.1 Review the statements, standards and requirements on ethics and assist in developing such standards.

10.3.2 Monitor the ethical conduct of council members and senior officials and the process for communicating these to councilors and staff.

10.3.3 In connection with councilors and employees, review significant cases of conflict of interest, misconduct, fraud, corruption and other unethical conduct.

10.3.4 Promptly advise council and the Auditor-General of any cases of fraud, corruption or gross negligence.

10.3.5 During its deliberations the committee will consider social and environmental issues and the associated risks.

10.4 Financial Statements

10.4.1 Review compliance with the municipality's accounting policies, significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas and recent professional and regulatory pronouncements and understand their impact on the financial statements.

10.4.2 Review with management and the external auditors the results of the audit, the proposed audit opinion, management report and management's responses.

10.4.3 Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.

10.4.4 Confirm if the municipal audit file is prepared in line with the applicable standards and guidance contained in MFMA Circular 50, or as updated.

10.4.5 Reviewing efficiency and effectiveness of internal controls over AFS preparation and reporting.

10.4.6 Specifically with regards to the annual financial statements, the committee should review and challenge where necessary:

- Arithmetical accuracy and consistency.
- Consistency of, and any changes to, accounting policies, comparing with prior years.
- Methods used to account for significant or unusual transactions where different approaches are possible.
- Whether the municipality has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account previous audit outcomes.
- The quality of disclosure in the municipality's financial reports and the context in which statements are made.
- 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).
- All material issues in prior reports by the AG have been appropriately accounted for, resulting in fair presentation;

- Conduct analysis of trends and other financial ratio calculations e.g., year-on-year comparisons and composition of primary group e.g., salaries as a component of operations, whether operations are undertaken on a sustainable basis, operations at surplus or deficit, efficiency, and solvency ratios, etc
- Review the other sections of the annual report before release and consider the accuracy and completeness of the information.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.

10.5 Internal Control

10.5.1 Assess steps taken by management to encourage ethical and lawful behaviour, financial discipline, and accountability for the use of public resources.

10.5.2 Consider the effectiveness of the organization's internal control systems, including information and communication technology security and control.

6.5.3 Understand the scope of the internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations together with management's responses.

10.5.4 King IV requires the municipal council to publicly confirm that it has reviewed the effectiveness of the internal controls in the municipality. The implementation of effective internal controls and information systems is essential to the proper discharge of the council's responsibilities.

10.6 Internal Audit

The audit committee must in relation to internal audit:

10.6.1 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;

10.6.2 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;

10.6.3 Review and approve the internal audit charter;

10.6.4 Confirm that the annual audit plan makes provision for critical risk areas in the municipality;

10.6.5 Advise the municipality on resources needed to give effect to the work outputs of the internal audit function;

10.6.6 Ensure that there is support for the internal audit unit and external auditors from senior management and their staff;

10.6.7 Consider and review reports relating to difficulties encountered during the course of audit engagements including any scope limitation or access to information reported to the accounting officer that remain unresolved;

10.6.8 Evaluate the performance of the internal audit activity in terms of the agreed goals and objectives recorded in the audit plan;

10.6.9 Ensure that the head of internal audit has reasonable access to the chairperson of the audit committee;

10.6.10 Conduct a high-level review of internal audit on an annual basis, to ascertain if the unit complies with the International Standards for the Professional Practice of Internal Auditing;

10.6.11 must be consulted on the appointment or termination of the services of the Internal Audit Manager which may only be done by the municipality with the agreement of the audit committee.

10.6.12 Review and approve the three-year rolling strategic risk-based audit plan and the annual risk-based audit plan and all major changes to the plan having regard to current operations, those proposed in the integrated development plan and management's risk management strategy.

10.6.13 Review the quarterly report of the internal audit unit to the committee detailing its performance against the annual audit plan to allow for effective monitoring and possible intervention.

10.6.14 Review the adequacy of corrective action taken by management in response to internal audit findings and recommendations.

10.6.15 Regularly, meet separately with the internal audit manager to discuss any matters that the committee or internal audit believes should be discussed privately.

10.7 External Audit

10.7.1 Review the external auditors' proposed audit scope and approach including the coordination of audit effort with internal auditing.

10.7.2 Review the performance of the external auditors.

10.7.3 Conduct a review of the extent to which previously reported findings by the external auditor have been addressed by the municipal council;

10.7.4 On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

10.7.5 Identify key issues raised in the audit report and management report for consideration.

10.7.6 Review any representation letters requested by the external auditors before they are signed by management.

10.8 Compliance

10.8.1 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.

10.8.2 Review the findings of any examinations performed by regulatory agencies as well as any audit observations.

10.8.3 Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance therewith.

10.8.4 Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

11. Reporting

Overseeing the financial reporting process is the audit committee's primary responsibility. The committee should seek reasonable assurance that financial disclosures made by management are objective, complete, and timely and show the municipality's financial position, results of operations, plans and long-term commitments.

11.1 At the end of each quarter the committee must prepare a report to Exco and the council in which its activities during the quarter are reported, significant issues are discussed, and recommendations are made. This must include the submission of the minutes of its meetings. The final decision on all matters, however, rests with the council.

11.2 Prepare a report containing the recommendations of the audit committee for inclusion in the annual report of the municipality as required by section 121 (3) (j) of the MFMA. This report must comment on the effectiveness of the risk management, the internal controls, quality of the in-year monitoring reports and reports required by the MFMA and DORA and the committee's evaluation of the AFS. The report must state whether or not the committee has discharged all of its responsibilities in terms of this charter. King IV proposes that the following information relating to the functioning of the audit committee be provided in this report:

- The committee's role, responsibilities and functions.
- Composition of the committee, each member's qualifications and experience.
- Any external advisors or invitees who regularly attend committee meetings.
- Key areas of focus during the reporting period.
- Number of meetings held and attendance at those meetings.
- Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.
- Significant matters that the committee has considered in relation to the annual financial statements and how these were addressed by the committee.
- The audit committee's views on the effectiveness of the internal audit manager and the arrangements for internal audit.
- The audit committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.
- The committee's views on the effectiveness of the CFO and the finance function.
- The arrangements in place for combined assurance and the

committee's views on its effectiveness.

- Comment in any way the committee considers appropriate on the financial statements, the accounting practices, internal financial controls, the performance management system and practices and compliance with legislation.

11.3 The committee must make follow-ups of the management responses to previous matters reported. The chair must report back to council in writing on the committee's findings relating to these follow-ups as agreed by the members of the committee.

11.4 The chairperson of the audit committee must submit a copy of its report at least annually, or at other intervals, to the Municipal Public Accounts Committee, for consideration during the MPAC engagements on the oversight report. Therefore, the roles and responsibilities and outputs of the internal auditor and audit committee assist to inform the work of the MPAC and oversight structures.

11.5 Provide an open avenue of communication amongst internal audit, the external auditors and the council.

12 Integrated reporting

The committee oversees integrated reporting, and in particular it must:

12.1 Have regard to all factors and risks that may impact on the integrity of the integrated report including factors that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements, or information.

12.2 Review the annual financial statements, and summary integrated information.

12.3 Comment in the annual financial statements on the financial statements, the accounting practices, and the effectiveness of the internal financial controls.

12.4 Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.

12.5 Recommend to the council the engagement of an external assurance provider on material sustainability issues.

12.6 Recommend the integrated report for approval by the Council.

12.7 Engage the external auditors to provide assurance on the summarized financial information.

13 Combined assurances

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

13.1 Ensure that the combined assurance received is appropriate to address all the significant risks facing the council.

13.2 Monitor the relationship between the external assurance providers and the council.

14 Whistleblowing and fraud

The committee shall:

14.1 Review the municipality's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting and other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

14.2 Ensure that there is a process in place to be informed of any reportable irregularities identified by the external auditor.

14.3 Review the municipality's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance.

14.4 Review and make recommendations to the council on the Anti-Fraud and Anti-Corruption Plan.

15 Other responsibilities

15.1 Perform other activities related to this charter as requested by the council.

15.2 Institute and oversee special investigations as needed.

15.3 Prepare an annual work plan for the committee.

15.4 Annually review and assess the adequacy of the audit committee charter and request council approval for proposed changes.

15.5 The committee reviews the expertise, resources and experience of the municipality's finance function, and discloses the results of the review in the integrated report. The committee also considers and satisfies itself of the suitability of the expertise and experience of the Chief Financial Officer every year.

15.6 On an annual basis conducts a self-evaluation of the performance of the audit committee and its individual members. Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the committee, the chair should take action to ensure that such enhancements are implemented. The findings of the self-assessment should be presented by the chairperson to the accounting officer and municipal Council.The chairperson may need to consult with the accounting officer and municipal council to obtain appropriate support to ensure all enhancements are implemented.

15.7 In order for the Audit Committee to remain effective, its objectives and responsibilities should come under annual performance evaluation by Council to ensure that:

- Its activities meet the municipality's needs.
- Changes in the environment in which the municipality operates are taken into account on a timely basis.

15.8 Committee members shall not make statements to the media. All communication with the media must be done via the municipal manager.

15.9 The Audit committee must refer any cases with potential financial misconduct to the Disciplinary board.

16. REMUNERATION

Per meeting:		Rate: Chairperson	Rate: committee member
Preparation time	Max 5 hrs. **(Refer Note 7. 3)**	R 1 490 / hr.	R 1 145 / hr.
Travel time inwards	**Refer Note 7.2**	R 745 / hr.	R 573 / hr.
Travel distance inwards	**Refer Note 7. 2**	Department of Transport rates	Department of Transport rates
Meeting time	Actual meeting hrs. **(Refer Note 7.4)**	R 1 490/ hr.	R 1 145 / hr.
Travel time outwards	**Refer Note 7.2**	R 745 / hr.	R 573 / hr.
Travel distance outwards	**Refer Note 7.2**	Department of Transport rates	Department of Transport rates

16.1 The chairperson is remunerated at the hourly rate of R1 145 plus an additional 30%, a total of
R1 490 per hour (R745 / hr. for traveling). This recognizes that the chairperson must spend time preparing reports from time-to-time. No additional amount will be payable to the chair for this research and report-preparation work.

16.2 Travel distance and travel time claims for each member, per meeting, are from domicilium (place of residence) to the venue of the meeting and return or as agreed with the Municipal Manager from time-to-time to allow for changed circumstances.

16.3. All out of pocket expenses incurred by members will be reimbursed. All travel and subsistence, accommodation, and any other expenditure incurred by members to attend meetings.

16.4 Preparation time is limited to 5 hours or the actual time spent in preparation for a meeting, if less than 5 hours.

16.5 Meeting time will be paid for the actual time spent in each meeting, as recorded in the minutes of the meetings.

16.6 This remuneration structure will apply when the chair attends special meetings such as staff performance appraisals, visits to address the Exco or council and audit steering committee meetings with the Auditor-General.

16.7 Ordinary members who are asked to perform the duties of the chair when he is not available for meetings will be remunerated at the rates applicable to the chair.

16.8 The rate per kilometer for reimbursement of travel distances will be in terms of the Department of Transport's rates, as published on a monthly basis on the DOT website.

16.9 Officials employed at national, provincial and local government, its agencies or other entities regarded as falling within the definition of an organ of state, will only be remunerated for travel and preparation time not for sitting in the meeting.

Committee members should submit their claims on invoices addressed by them to the municipality and should be submitted within two weeks of each meeting.

17. Assessment of the Committee performance

17.1. In order to ensure value for money, the audit committee shall be subject to a performance assessment of its effectiveness in executing it duties.

17.2 The Charter shall be used as the base for the assessment of the committee in line with duties outlined therein.

17.3 The committee shall perform a self-assessment collectively led by the chairperson once a year.

17.4 The Accounting Officer and Mayor/ EXCO shall also assess the performance of the audit committee annually.

17.5 The outcome of the assessment shall be tabled to Council and feedback provided to the committee.

17.6. The council approved assessment tool shall be used to assess the committee.

18 APPROVED BY THE AUDIT AND PERFORMANCE AUDIT COMMITTEE

Prepared by

Manager: Internal Audit
Ms NN Mtintso

29/06/2026
Date

Accepted by

Acting Municipal Manager
Mr. J Sondezi

29/06/2026
Date

Approved by

AD Gonzalves

Chairperson: Audit and Performance Audit Committee
Mr. AD Gonzalves

30/06/2026
Date

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