

“ The City of Heritage ”



**Performance Audit Committee Charter for
Ulundi Local Municipality**

Revised June 2015

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1. Introduction

The Ulundi Local Municipality has established a Performance Audit Committee in accordance with section 14(2)(c) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (Regulations).

2. Mandate

The purpose of the Performance Audit Committee (PAC) Charter is to set out the status, authority, roles and responsibilities of the PAC of the Ulundi Municipality as delegated to it by the Council and forms the policy of the PAC. The status, authority, roles and responsibilities are in accordance with section 14.(2)(c) of the Regulations and MFMA Circular No. 65 issued by the National Treasury in November 2012. Consideration has also been given to the recommendations contained in the King Report on Governance for South Africa 2009 (King III). This charter guides the PAC in fulfilling its obligations.

3. Authority

The PAC of the Ulundi Municipality is authorized, in terms of this charter, to perform the duties and functions required to ensure adherence to the provisions of the MFMA, the applicable provisions of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and applicable regulations.

The PAC shall have the authority to perform functions, and to obtain any information and advice, from within or outside Ulundi Municipality, in order to perform its functions as legislated. Appropriate resources will be made available to the PAC to perform its functions as agreed in this charter.

The PAC may:

- Communicate with the Council, Municipal Manager or the internal and external auditors of Ulundi 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 PAC.
- Conduct investigations into the financial affairs of Ulundi Municipality, as may be requested by the Council.
- Obtain outside legal or other professional advice within the scope of its responsibilities and allocated budget provision.

4. Role and relationships

The role of the PAC is to assist the Council and the Municipal Manager (accounting officer) in fulfilling their oversight responsibilities with regard to the integrity of internal control and accounting function, performance information, internal auditing and external auditing and reporting practices of Ulundi Municipality and other such duties as may be directed by the Council and Accounting Officer.

In performing its duties, the PAC will maintain effective working relationships with the Council, MPAC, COGTA, Provincial Treasury, Chief Executive Officer, management, staff and the internal and external auditors. To perform their duties effectively, each PAC member will obtain an understanding of the detailed responsibilities of committee membership as well as the Board's business, operations and risks.

5. Responsibilities

The PAC is required to consider any matters relating to the performance affairs of Ulundi Municipality as well as related internal and external audit matters. The PAC must review and assess the qualitative aspects of the performance reporting, the Ulundi Municipality's processes to manage performance risk, governance processes and compliance with applicable legal, ethical and regulatory requirements.

The PAC does not assume the functions of management which remain the responsibility of EXCO, Council and the delegated officials.

Internal Control Environment

The PAC members need to have a good understanding of the control environment. In fulfilling this responsibility the PAC should:

- Ensure that management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control.
- Establish whether management has relevant policies and procedures in place and that these are adequate, effective and regularly updated.
- Determine whether appropriate processes are followed and complied with on a regular basis.
- Consider measures applied on any required changes to the design or implementation of internal controls.
- Assess steps taken by management to encourage ethical and lawful behavior; financial discipline and accountability for use of public resources.

Performance Management and Reporting

In carrying out its mandate, the PAC must have a good understanding of the strategic goals of the Ulundi Municipality, strategic focus areas as outlined in the Ulundi Municipality's Integrated Development Plan (IDP), the Service Delivery Budget Implementation Plan (SDBIP) and Ulundi Municipality's Strategic Plan should:

- Review the quarterly reports submitted to it by Internal Audit.
- Review Ulundi Municipality's performance management system and make recommendations in this regard to the Council. In reviewing Ulundi Municipality's performance management system, the PAC must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the Council are concerned.
- Review and comment on compliance with statutory requirements and performance management best practices and standards.
- Review and comment on the alignment of the Ulundi Municipality's Integrated Development Plan, the Strategic Plan of Municipality and performance agreements of the Accounting officer and Senior Managers.
- Review compliance with in-year reporting requirements.
- Confirming if the portfolio of evidence (POE) files are prepared and adequately support the achievements, reasons for under-performance and corrective measures recorded in the annual performance report in line with the applicable standards and guidance contained in MFMA Circular No. 50 dated 30 July 2009, or as updated.
- Review the quarterly performance reports submitted by internal audit.
- Review and comment on the Ulundi Municipality's annual performance report and timely submission to the Auditor-General by 31 August, each year.
- Review and comment on the Ulundi Municipality's annual reports within the stipulated timeframes.
- Considering the Auditor-General's conclusion on the Ulundi Municipality's performance information and related systems, processes and procedures.

- Reviewing efficiency and effectiveness of internal controls over the annual performance report preparation and reporting.
- All material issues in prior reports by the Auditor-General have been appropriately addressed.
- Review and comment on Ulundi Municipality's performance management system and make recommendations for its improvement at least twice a year.

Internal Audit

The PAC must in relation to internal audit:

- Confirm that the annual internal audit plan makes provision for reviewing the performance management system on an on-going basis.
- Ensure that there is support for the internal audit unit and external auditors from senior management.
- Confirm with management that internal audit findings are submitted to the PAC on a quarterly basis.
- Confirm actions taken by management in relation to the audit plan.
- 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.
- Evaluate the performance of internal audit activity in terms of the agreed goals and objectives as captured in the audit plan.
- Ensure that the head of internal audit has reasonable access to the chairperson of the PAC.

External Audit

The PAC must in relation to external audit:

- Take cognizance of the scope of work undertaken by the external auditor and the extent of co-ordination with the internal audit unit.
- Review reports and monitor management's implementation of audit recommendations and Council resolutions in the new financial year.
- Review any interim reports issued in order to take cognizance of the issues raised in determining the follow up work of the internal audit.
- Conduct a review of the extent to which previously reported findings by the external auditor have been addressed by the Board.
- Provide advice to the accounting officer on actions taken or to be taken relating to significant matters raised in external audit reports.
- Liaise with the external auditors on any matter that the PAC considers appropriate to raise with the external auditor.
- Ensure that the external auditors have reasonable access to the relevant management and chairperson of the PAC.
- Address any potential restrictions or limitations with the accounting officer and Board.
- Address outstanding matters raised by the external auditors and that findings are dealt with conclusively in an expeditious manner.

Reporting Responsibilities

The chairperson of the PAC will report on a quarterly basis, or more frequently if required, to the Council on the operations of Internal Audit and the PAC.

The report should include:

- A summary of the work performed by the internal audit and the PAC 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.
- Other matters requested of Internal Audit and the PAC.

The PAC shall prepare a report annually which will be incorporated into the Ulundi Municipality's annual report covering:

- The functions performed by the PAC and meetings attended.
- Resolutions taken by Council and implementation status of recommendations made.
- Other relevant comments that may enhance governance and accountability.

6. Constitution and Membership

- 6.1 The PAC will comprise of at least three but not more than four independent members and shall be appointed by the Council. All members should have the necessary knowledge and expertise to expedite the working of the committee and should be knowledgeable in performance management matters and local government issues. Each member should be capable of making a valuable contribution to the committee.
- 6.2 The term of office of the committee shall be at least three years, renewable for another three years at the discretion of the Council and based on performance.
- 6.3 A quorum for any meeting will be two members.
- 6.4 The Chairperson shall be appointed by the Board.
- 6.5 No Board or may be a member of the PAC.
- 6.6 Members should give two months' notice prior to resignation.
- 6.7 Should a member be dismissed by Board, the official dismissal process as it relates to the Ulundi Municipality should be adhered to.
- 6.8 Meetings shall be held not less than four times a year. Special meetings may be convened as required. Internal audit or the external auditors may request a meeting to be convened if they consider that it is necessary. The Chairperson or any member may be invited by Council or the Accounting Officer to attend other official functions, training workshops, MPAC or other meetings as deemed necessary.
- 6.9 Any member failing to attend three meetings in a financial year will be automatically dismissed and the Council will be required to appoint an alternative.
- 6.10 The PAC members of the Ulundi Municipality should receive remuneration for services rendered and reimbursement of cost as per rates approved by the Board and as set out in the appointment contract for all meetings as indicated in paragraphs 6.8 and 6.11. Such rates should be reviewed on an annual basis during the budget process.
- 6.11 The Chairperson of the PAC will be required to sit on the panel for evaluating the performance of the Accounting officer and all Managers reporting directly to the Accounting Officer and will be remunerated for services rendered and reimbursement of cost as per the rates approved by the Council.
- 6.12 Members who are in the employ of an organ of state will not be remunerated, except for out of pocket expenses which will be reimbursed.
- 6.13 Members may not serve on more than three municipal PAC's unless specifically approved by Council.

7. Independence and Confidentiality

The PAC should be independent and safeguarded from undue influence in exercising its responsibilities in an objective manner.

To enhance the PAC's functioning, the following is required:

- The PAC Chairperson and members should be independent of Ulundi Municipality.
- The PAC Chairperson and members should not be biased, but exhibit an independence of mental attitude during deliberations.
- All PAC members should declare private and business interest in every meeting.

- All members should not carry out any business with Ulundi Municipality.
- All members shall maintain strict confidentiality in respect of any information of a confidential nature to which he/she may become privy at meetings of the committee, and shall only disclose such information as may become necessary or required for the proper performance of his/her duties and functions.

8. Fees payable

Audit Committee fees payable are as approved from time to time by the Ulundi Municipality, currently:

Chairman	-	R7500 per meeting attended;
Members	-	R2056 per hour for a meeting attended.

Reimbursive travelling at the rates approved by the Department of Transport on a monthly basis

9. Secretariat

The Chief Executive Officer will arrange for the secretariat responsibilities and ensure that:

- The dates of meetings be agreed upon at the commencement of each financial year and should be included in the Ulundi Municipality events calendar.
- Notice of each meeting be given in writing to all members of the Committee and other invited parties, at least 14 days prior to the date of the meeting.
- The agenda of the meeting together with the audit pack be prepared and distributed to members at least 7 days prior to the meeting date.
- Minutes of all meetings are kept and circulated to all members and attendees within 7 days after the meeting to confirm the factual correctness thereof.
- Claims are paid promptly within 30 days.
- Invitations to attend the PAC meetings be extended to the following:
 - PAC members;
 - The Accounting officer;
 - All Heads of Department;
 - The Head of Internal Audit;
 - The Auditor-General;
 - The Chairperson of MPAC;
 - A Provincial Treasury representative;
 - A COGTA representative; and
 - Any other person as and when requested by the chairperson of the PAC.

10. Effectiveness of the Performance Audit Committee

- 10.1 In order for the PAC to remain effective, its objectives and responsibilities should come under annual performance evaluation by Board to ensure that:
- Its activities meet the Board's needs.
 - Changes in the environment in which Ulundi Municipality operates are taken into account on a timely basis.
- 10.2 Members of the PAC should also assess their effectiveness bi-annually against pre-set criteria such as, number of meetings attended, members' participation in meeting discussions, co-operation of internal audit, Accounting officer, MPAC, management and the Auditor-General.
- 10.3 The Auditor-General will independently report on the effectiveness and efficiency of the PAC every year.

11. Conclusion

The role of the PAC is to assist the Ulundi Municipality in achieving its strategic goals and objectives, by helping to maintain effective internal controls and performance reporting. These terms of reference shall be reviewed at least annually and amended as required, subject to the approval of the Council.

12. Approval

APPROVED BY: Council Resolution: _____

Signed by:

Mayor on behalf of Ulundi Municipality: _____

Date: _____

ON BEHALF OF THE PERFORMANCE AUDIT COMMITTEE:

Signed by:

Chairperson of the Performance Audit Committee: _____

Date: _____