

18 November 2022

Item ref. AUDIT COM 2023/26

(COUNCIL ITEM)

APPOINTMENT OF AUDIT AND PERFORMANCE COMMITTEE MEMBERS

1. PURPOSE

To seek Council approval to start the process of appointing new Audit and Performance Committee members for the Mangaung Metropolitan Municipality.

2. BACKGROUND

- 2.1 The term of the current members of the Audit Committee is ending on 28 February 2023 and all members are on their second term of office (maximum allowable in terms of National Treasury's guidelines).
- 2.2 It is, therefore, important to start the recruitment processes as early as now to finalise the appointment of new members before the term of the current members expires on 28 February 2023.
- 2.3 Council is also alerted to the fact that, the new Committee starting from 1 March 2023 will be referred to as Audit and Performance Committee to comply with both section 166(1) of the Municipal Finance Management Act, 56 of 2003 and Regulation 14(2)(a) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.
- 2.4 In terms of section 166(1) of the Municipal finance Management Act, each Council and each municipal entity must have an Audit Committee, and in terms of Regulation 14(2)(a) of the Municipal Planning and Performance Management Regulations, a municipality must annually appoint and budget for

a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee. It is for these reasons that, the new Committee that will be operating from 1 March 2023 will be referred to as Audit and Performance Committee.

- 2.5 To speed up the process, Council is requested to authorise the Speaker who will be administratively supported by the City Manager (Acting) and the GM: Internal Audit to administer this process of appointing members of the Audit and Performance Committee and submit a report to Council for approval once the process has been concluded (i.e. advertising, selection and compilation of the report to Council recommending appointment of members).
- 2.6 It is against this background that the submission is tabled before Council for approval.
- 2.7 Attached to this submission as **Annexure A** is the advert that should be published once Council has approved the submission.
- 2.8 The Committee's amended Terms of Reference (Charter) is hereto attached as **Annexure B** for approval by Council as well.

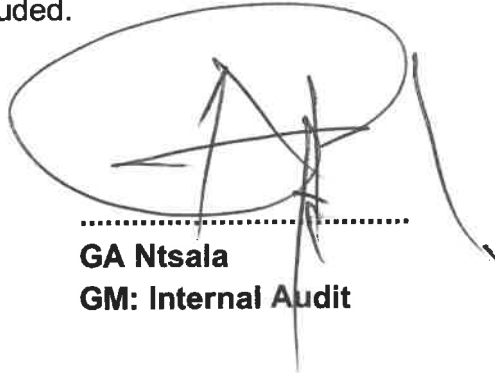
3. RECOMMENDATIONS

It is recommended that.

- 3.1 Council approve the process to recruit/ appoint five (5) new Audit and Performance Committee members (the initially approved composition/ number) as per the attached advert (**annexure A**).
- 3.2 Council approve the attached amended Committee's Terms of Reference / Charter (**annexure B**).
- 3.3 Council authorise the Speaker who will be administratively supported by the City Manager (Acting) and the GM: Internal Audit to administer the process of recruiting/ appointing members of the Committee and submit the report with recommended names to Council for deliberations and approval.
- 3.4 The Speaker must submit the above-mentioned report to Council on or before 31 January 2023.

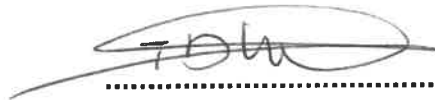
3.5 In case where the recruitment processes do not allow the process to be concluded by 31 January 2023, the term of the current members in case it expires before the process is concluded, be extended for a maximum period of three (3) months to avoid vacuum and allow the process of appointing new members to be concluded.

Compiled by:



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GA Ntsala
GM: Internal Audit

Submitted by:




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T Motlashuping
Acting City Manager

NCR Concurrence by:



pp
Ms G Malaza
National Cabinet Representative

Approved for tabling by:



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Hon. Cllr. S Lockman
Council Speaker



REGIONAL
OFFICE OF THE
CITY MANAGER

CALL FOR APPLICATIONS: AUDIT AND PERFORMANCE COMMITTEE MEMBERS

BACKGROUND:

In accordance with section 166(1) and (5) of the Municipal Finance Management Act, 56 of 2003, and Regulation 14(2)(a) of the Local Government: Municipal Planning and Performance Management Regulations of 2001, the Council of Mangaung Metropolitan Municipality is inviting applications from qualifying natural persons to fill vacancies at its Audit Committee.

FIVE (5) VACANCIES

Applications are invited from qualifying natural persons who have experience in either of the following discipline or areas of specialization.

- Legal (Advocates, Attorneys)
- Engineering (Civil Engineer)
- Performance Management (Performance Management expert)
- Information Technology
- Governance and Administration (i.e. Internal Audit, Accounting, Risk Management, Internal Controls, Human Resources Management, etc.)

Candidates should also possess knowledge in at least one of the following areas over and above their areas of specialization.

- Exposure to the Local Government sector and familiarity with internal audit and risk management practices.
- Corporate governance and financial management.
- Internal controls, major accounting and public sector reporting requirements.
- Knowledge and understanding of and exposure of legislation/policies (MFMA/GRAP/GAAP/National Treasury Guidelines).
- Knowledge and understanding of the roles of internal and external audit.
- Excellent communication skills (verbal and written)

Preference will be given to applicants who have experience in serving on Audit Committees of Local Government.

The term of office for the members shall be for a minimum period of three (3) years and members shall be remunerated according to the tariffs approved by National Treasury and members who are working for the Public Sector will be remunerated in terms of National Treasury Guidelines as outlined in MFMA Circular 65.

The closing date in respect of the positions will be the xxxxxx 2022.

Applicants, who wish to be considered, must post/submit their applications and comprehensive CV's clearly marked **Audit and Performance Committee Mangaung Metro** directly to the address indicated below or e-mail at xxxx@mangaung.co.za.

**THE CITY MANAGER
MANGAUNG METROPOLITAN MUNICIPALITY
P.O. Box 3704
BLOEMFONTEIN
9300**

Or hand deliver to:

**Attention: Mr. T Motlashuping (Acting/ City Manager)
MANGAUNG METROPOLITAN MUNICIPALITY
Room 201, 2nd Floor
BRAM FISCHER BUILDING
C/O NELSON MANDELA & MARKGRAAFF STREET
BLOEMFONTEIN
9301**

Enquiries may be directed to:

**The Acting/City Manager: Mr. T Motlashuping - (051) 405 8621 and/or
General Manager: Internal Audit, Mr. Gauta Ntsala - (051) 405 8984/5 respectively or email at
Gauta.ntsala@mangaung.co.za.**

Please note that if you do not receive any correspondence from this organisation regarding your application within 90 days after the closing date of this advertisement, you should regard your application as unsuccessful.

Mangaung Metro reserves the right to appoint any person in pursuing its Employment Equity targets.

Thanking you in anticipation



MANGAUNG METRO MUNICIPALITY

AUDIT AND PERFORMANCE COMMITTEE CHARTER

»»»TERMS OF REFERENCE«««

**MANGAUNG METRO MUNICIPALITY
AUDIT AND PERFORMANCE COMMITTEE CHARTER (TERMS OF REFERENCE)
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MANGAUNG METROPOLITAN MUNICIPALITY

AUDIT AND PERFORMANCE COMMITTEE CHARTER (TERMS OF REFERENCE)

1. OBJECTIVES

The broad objectives of the Audit and Performance Committee are to:

- 1.1 Promote effective governance within the municipality's operations by assisting management in discharging its responsibilities of establishing and maintaining an adequate and effective control environment over its operations.
- 1.2 Ensure the proper functioning of the Internal Audit Unit by reviewing the scope, performance and the results of audits undertaken.
- 1.3 Ensure that the risks facing the municipality and its entities are timeously and properly identified and that appropriate procedures to manage and minimize these risks are implemented.
- 1.4 Regularly evaluate whether the climate of financial discipline and control is maintained by management to ensure:
 - Reliability and integrity of information
 - Compliance with government policies, plans, procedures, laws and regulations
 - Safeguarding of assets
 - Economic and efficient use of resources
 - Accomplishment of established objectives and goals for operations or programs
- 1.5 Ensure the correctness and adherence to the relevant accounting policies;
- 1.6 Ensure that the municipality and its entities have structures in place for performance management and that performance evaluations are conducted;
- 1.7 The Audit and Performance Committee is an advisory committee, and does not relieve management of its responsibilities, which include the design and implementation of a good system of internal controls. The Audit and Performance Committee aims to assist management in fulfilling its responsibilities.

- 1.8 The Audit and Performance Committee plays an objective independent role, operating as an overseer in addition, and makers of recommendations to the Internal Audit Unit, External Auditors and Management.

2. CONSTITUTION

- 2.1 The Audit and Performance Committee members shall be appointed by the Council in terms of section 166 of the Municipal Finance Management Act, no 56 of 2003 (MFMA) and Regulation 14(2)(a) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.
- 2.2 Members shall be appointed for a minimum period of three years with an option to renew for another three years, based on performance.
- 2.3 Council shall appoint one member as the Chairperson of the Committee (MFMA 166 (5) and regulation 14(2)(d) of the Municipal Planning and Performance Management Regulations).
- 2.4 In a case the Chairperson of the Committee resigns before the end of the Term of the Committee or cease to be a member of the Committee due to reasons other than resignation, any member of the Committee shall assume the responsibilities of the Chairperson until such time that Council appoints another Chairperson of the Committee which shall happen within one month after the resignation or the cessation of the membership of the Chairperson.

3. POWERS AND AUTHORITY

- 3.1 The powers of the Audit and Performance Committee shall not be limited in any way to prevent it from properly performing its duties;
- 3.2 The Audit and Performance Committee has the authority to;
 - 3.2.1 Access records containing information needed to properly perform its duties and execute its powers;
 - 3.2.2 Request any person within the municipality and from related entities to attend any of its meetings and to supply all information the committee may need to perform its duties and execute its powers;
 - 3.2.3 Initiate investigations regarding any matters it may deem necessary, and for the purpose thereof to obtain legal or any other advice from external experts;

- 3.2.4 Summon officials within the municipality and from related entities to appear before it, to give account of any irregularities, fraud, extravagance, misconduct, fruitless expenditure or any other matter that it may become aware of through internal audit, external audit or other reports;
- 3.2.5 Acquire resources and incur expenditure within its jurisdiction that it requires in the execution of its task in accordance with the municipal policies and procedures;
- 3.2.6 The Committee may communicate directly with the Council, the Speaker, Executive Mayor, Municipal Manager or the Internal and External Auditors of the Municipality.

4. DUTIES AND RESPONSIBILITIES

The primary values of the Audit and Performance Committee are its independence and objectivity in relation to management. The committee should not assume any management functions nor should management exert undue influence over the work of the committee. The Audit and Performance Committee may periodically review its terms of reference and work program in line with the Municipal Finance Management Act, King Report on Corporate Governance, Municipal Systems Act and any other related regulations.

4.1 IN RELATION TO THE INTERNAL AUDIT FUNCTION

The Audit and Performance Committee's duties and responsibilities in relation to the Internal Audit Unit are:

- 4.1.1 To review and approve the terms of reference (Internal Audit Charter) of the Internal Audit Unit;
- 4.1.2 To review and advise the Municipal Manager on the appointment and dismissal of the Head of Internal Audit;
- 4.1.3 Confirm that the objectives and goals, staffing and budget plans of the Internal Audit Unit are adequate to support the goals and objectives of the Unit;
- 4.1.4 Approve Internal Audit plans and programmes of action.
- 4.1.5 Confirm with management the Internal Audit Unit's findings during the year, which are submitted to the Committee quarterly, and the action taken by management to address the deficiencies identified;

- 4.1.6 Consider and review any difficulties encountered in the course of the audit, including any scope limitation or access to information;
- 4.1.7 Ensure that the General Manager: Internal Audit has reasonable access to the Municipal Manager, Management of the Municipality and the entire staff of the Municipality, the Political Leadership of the Municipality and the Chairperson of the Audit and Performance Committee;
- 4.1.8 Consider any changes required to the yearly internal audit plan;
- 4.1.9 Confirm and ensure the independence of the Internal Audit Unit.

4.2 IN RELATION TO THE AUDITOR-GENERAL

The duties and responsibilities of the Audit and Performance Committee in relation to the Auditor-General are to:-

- 4.2.1 Take cognizance of the scope of the audit work undertaken by the office of the Auditor-General and the extent of co-ordination of work with the Internal Audit Unit;
- 4.2.2 Review and confirm the quality, skill and experience of Auditor-General resources deployed to audit the financial statements of the municipality at year end;
- 4.2.3 Review and evaluate all relevant reports issued by the Auditor-General, including but not limited to;
 - a. Review the annual report on the financial statements and matters raised therein for reasonability and accuracy;
 - b. Review any interim reports issued in order to take cognizance of the issues raised in determining the follow up work of the Internal Audit Unit;
- 4.2.4 Conduct a review of the extent to which previously reported findings by the Auditor-General have been addressed by the Council;
- 4.2.5 Communicate any concerns it deems necessary to the Auditor-General;
- 4.2.6 Ensure that the external auditors have reasonable access to the Chairperson of the Audit and Performance Committee;
- 4.2.7 Review the fees and other compensation to be paid to the Auditor-General. On an annual basis, the committee shall review and discuss with the Auditor-General, all

significant relationships the auditors have with the municipality to determine the Auditor-General's independence;

- 4.2.8 Ensure that no unjustified restrictions or limitations are being placed upon Auditor-General;
- 4.2.9 Review the external audit plan and make recommendations so that critical risk areas are addressed in the organization;
- 4.2.10 Following completion of the Auditor-General's audit, review with senior management, the Auditor-General and the Internal Audit Unit any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information or personnel;
- 4.2.11 Review any significant disagreement between management and the Auditor-General in connection with the preparation of any report;
- 4.2.12 Periodically consult with the Auditor-General out of the presence of management regarding internal controls and the completeness and accuracy of the municipality's financial statements.

4.3 IN RELATION TO THE COUNCIL AND THE MUNICIPAL MANAGER

The duties and responsibilities of the Audit and Performance Committee in relation to the Council and the Municipal Manager are to:

- 4.3.1 Submit to the Municipal Manager and the Council annual reports on the effectiveness of the system of internal control in the municipality, which will be incorporated into the municipality's annual report;
- 4.3.2 Ensure that there is support for the Internal Audit Unit and the external auditors from senior management;
- 4.3.3 In line with section 166(2)(a) of the MFMA, advise the municipal council and the municipal manager on matters relating to;
 - (i) internal controls and internal audit
 - (ii) risk management
 - (iii) accounting policies
 - (iv) the adequacy, reliability and accuracy of financial reporting and information
 - (v) performance management
 - (vi) effective governance

- (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation
- (viii) performance evaluation; and
- (ix) any other issues referred to it by the municipality

4.3.4 Review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality;

4.3.5 Perform any tasks or investigations requested by Council.

4.3.6 Meet with Council Oversight Committee (i.e., MPAC) at least once a quarter to discuss any matters of common interest and share/unpack Audit and Performance Committee reports submitted to Council.

4.3.7 Meet with both the Speaker and the Executive Mayor at least once a quarter to discuss any matters of concern to the Committee and give feedback on the functioning of the Committee.

4.4 GENERAL RESPONSIBILITIES OF THE AUDIT AND PERFORMANCE COMMITTEE

4.4.1 Evaluate the financial statements of the municipality for reasonability, completeness and accuracy;

4.4.2 In consultation with the Auditor-General and the Internal Audit Unit, review the integrity of the municipality's financial report processes, both internal and external;

4.4.3 Consider the Auditor-General's opinion on the quality and appropriateness of the municipality's accounting policies and that of its entities as applied in the financial reporting;

4.4.4 Review the functionality of the municipality's Performance Management System and make recommendations if any to the Council;

4.4.5 Engage with the Performance Panel with regard to performance information for additional recommendations to Council;

4.4.6 Review integrated risk management system of the Council;

4.4.7 Review the compliance to legislation by the municipality and make recommendations if any to the Council;

- 4.4.8 Issue a report to be included in the annual report for any recommendation made to the municipality

5 MEETINGS AND PROCEEDINGS

- 5.1 The Chairperson shall preside in all meetings or delegate a member of the committee to preside on his/her behalf; and shall oversee the functions of the Audit and Performance Committee;
- 5.2 In a case where the Chairperson or his/her delegate is not available on the day of the meeting to chair the meeting and is unreachable on all means of communication, members present shall amongst themselves agree on the Chairperson of the day to allow the business of the Committee to continue without fail.
- 5.2 The quorum for meetings of the committee shall be three (3) of any members of the committee present throughout the meeting of the committee;
- 5.3 In a case where only two members are present in a meeting, decisions taken in that meeting shall be ratified in the next ensuing meeting where majority of members are present;
- 5.4 The Audit and Performance Committee shall meet at least four times in a year (preferably quarterly) to consider and review the reports of the internal and external auditors and any other matters presented before it. This may also include consideration of the planning and scope of both the external and internal auditors.
- 5.5 The Chairperson of the Committee or his/her delegate may call for a special meeting, when specific issues requiring immediate attention are identified;
- 5.6 An Audit and Performance Committee pack, including minutes and agenda, shall be prepared and distributed at least three (3) working days before every meeting to enable the meetings to be effective and for members to be adequately prepared for the discussions;
- 5.7 The Municipal Manager shall provide the committee with a secretariat function whose responsibilities will be to maintain minutes of the deliberations and decisions taken by the Committee at each meeting, circulating such minutes seven (7) days after the meeting and prepare for the meetings.

6. ATTENDANCE AT MEETINGS

- 6.1 The Chairperson may invite any member of the Municipality or its entities; and external auditors to attend the Audit and Performance Committee meeting. The Municipal Manager, Chief Financial Officer, all Heads of Departments, the Chief Risk Officer, General Manager: IDP and Organisational Performance and the General Manager: Internal Audit shall be required to always attend the meetings of the Committee. These attendees shall have no voting rights at meetings of the committee.
- 6.2 The Audit and Performance Committee shall be entitled to invite one or more senior managers to attend and be heard at the meetings of the Committee;
- 6.3 The Committee may request legal, other advisors and officers, or members of staff who may have meaningful inputs to the Committee to attend its meetings as and when needed;
- 6.4 The Chairperson of the Committee shall excuse from the meetings any committee member, representative or staff member who could, in his or her opinion have any conflict of interest in any matter under discussion by the Committee;
- 6.5 A member who will be absent from the Committee meeting is required to notify the Chairperson of the committee or secretariat prior the meeting indicating the reasons for non-attendance in writing.
- 6.6 Members are expected to sit in the meeting for the duration of the meeting, or indicate prior to a meeting requesting permission from the Committee Chairperson to leave early;

7. UNAUTHORIZED DISCLOSURE OF INFORMATION

- 7.1 A member may not without permission of the Committee disclose any privileged or confidential information of the committee to any unauthorized person;
- 7.2 For the purpose of this item 'privileged or confidential information' includes any information;
- Determined by the Audit and Performance Committee to be privileged or confidential;
 - Disclosure of which would violate any person's right to privacy;
 - Declared to be privileged, confidential, or secret by the municipality.

8. REMUNERATION

- 8.1 Having regard to the functions performed by the members of the committee as a service rendered to the municipality. Members of the Audit and Performance Committee shall be remunerated as follows,
- a) One day preparation fee equal to a daily tariff set by National Treasury for Audit Committee members, which shall be subject to review on an annual basis, plus
 - b) A siting allowance for attending Committee meetings equal to a daily tariff set by National Treasury for Audit Committee members, which shall be subject to review on an annual basis.
 - c) Where meetings are physical, members will be reimbursed for travelling at a scale approved by the Council-
- 8.2 The Chairperson and the members of the Audit and Performance Committee shall be remunerated for such attendance of any Council related business and for any work performed related to the Committee and or the Municipality and or its entities at the tariffs set above under a, b, and c.
- 8.3 Transport and accommodation costs (where necessary), shall be borne by the municipality.

9. GENERAL

- 9.1 The Committee members are obliged to disclose any interest they have within or outside the municipality and its entities that might interfere with the performance of their duties.
- 9.2 The Committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it consider necessary to carry out its duties.
- 9.3 The Council will ensure that the committee will have access to professional advice both inside and outside the Council in order for it to perform its duties.
- 9.4 These terms of reference may be amended as required, subject to the approval of the Council.

APPROVAL

*Approved by Council during Council Meeting number
held onunder Council agenda item number.....*