



AUDIT AND RISK COMMITTEE CHARTER

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1. PURPOSE OF THE CHARTER

The purpose of these terms of reference is to set out the Audit and Risk Committee's role and responsibilities, as well as the requirements for its composition and meeting procedures. This is done in accordance with the applicable National and Local Government Legislation and Regulations.

The Audit and Risk Committee established in terms of Section 166(1) of the Municipal Finance Management Act no 56 of 2003 (MFMA) also fulfils the functions of a performance management Audit and Risk Committee constituted in terms of Regulation 14(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

This charter sets out the objectives, roles and responsibilities, composition, structure and membership requirements, relationships with other stakeholders, authority for the Audit and Risk Committee to conduct enquiries and access municipal entity and municipal entity's records and personnel, outlines procedures for meetings, addresses the confidentiality and independence of Audit and Risk Committee members, and provides for ethical conduct and reporting.

The charter should be reviewed annually and updated to ensure relevance and consistency with the MFMA, Municipal Systems Act (No 32 of 2000) and other related regulations, guides and best practice.

The charter should be used as a basis for:

- Preparing the Audit and Risk Committee's annual work plan;
- Setting the agenda for meetings;
- Requesting skills and expertise;
- Making recommendations to the Accounting Officer and Board of Directors;
- Assessing the Audit and Risk Committee's performance by its members, Board of Directors, management, Auditor-General and internal auditors; and
- Contributions and participation at meetings.

The Code of Corporate Practices and Conduct published in the King IV Report on Corporate Governance 2016 requires management to publicly confirm that they have reviewed the effectiveness of the internal control of their organisation. The implementation of control and information systems is essential to the effective discharge of the management's responsibilities.

2. CONSTITUTION [MFMA Section 166(1)]

The Municipal Entity has established an Audit and Risk Committee as an independent advisory body in terms of Section 166(1) of the MFMA.

The Committee must not perform any management functions or assume any management responsibilities; but it must provide a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the Board and management. The Committee should mainly make recommendations to the Board for its approval or final decision.

3. AUTHORITY

The Audit and Risk Committee is hereby established and authorised to conduct investigations into the financial affairs of the Municipal Entity or any matter within the scope of its responsibility as requested by the Board in terms of Section 166(2)(d) of the MFMA.

The Enterprise iLembe Board of Directors authorises the Audit and Risk Committee to fulfill the responsibilities as set out in this charter. In doing so, the Audit and Risk Committee is authorized to:

- have full access to all the activities, records, property and staff of the Entity. All employees are directed to cooperate with any request made by the Audit and Risk Committee provided that the proper administrative channels and procedures are adhered to;
- seek any information it requires from external parties, obtain outside 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 upon approval by the Accounting Officer; and
- assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the Entity's process for monitoring compliance with laws and regulations and the code of conduct.
- liaise with **[MFMA S166 3(b)]** –
 - (i) The internal audit unit of the Municipal Entity; and
 - (ii) The person designated by the Auditor-General to audit the financial statements of the municipal entity.

- investigate any activity within its terms of reference;
- at the discretion of the Chairperson, request Board members and officials of the Municipal Entity to attend meetings or parts of meetings;
- consult with and seek any information it requires from any Board member or officials and all Board members and officials shall be required to co-operate with any reasonable request made by the Committee in the course of its duties;
- meet privately with the external or internal auditors, if so requested, without any Board member or Official of the Municipal Entity in attendance; and
- through the chairperson, request that Board members or Officials of the Municipal Entity or the Internal Auditors in attendance excuse themselves from meetings where warranted by the circumstances.

In the instance where the Audit and Risk Committee considers conducting an investigation that might directly implicate the Accounting Officer, or Board member, the investigation must be pre- approved by the most senior non-implicated Manager or Board member. The financial impact of any such an investigation must be considered and sufficient provision be made on the appropriate budget and concurrence of the CFO.

4. COMPOSITION OF THE COMMITTEE [MFMA: Section 166(4) (a)]

The Audit and Risk Committee will comprise of five independent members with appropriate experience and skills, who are not in the employ of the municipal entity, to enable the committee to discharge the responsibilities set out in section 166(2) of the MFMA. **[MFMA: S166 (2)].**

The members of the Audit and Risk Committee must collectively have sufficient qualifications, skills and experience to fulfill their duties, including an understanding of the following:

- Private and public sector experience;
- An understanding of service delivery priorities;
- Good governance and/or financial management experience;
- An understanding of the role of Board and members;
- An understanding of the operations of the municipal entity;
- 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 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;
- Sustainability issues;
- Information technology governance as it relates to integrated reporting; and
- Integrated reporting.

The skills and qualifications of Audit and Risk Committee members are mapped and recorded by means of a Skills Matrix, and are aligned with the recommendations and identified skills priorities of the King IV Report 2016.

The Council appoints the independent members as well as the Chairperson and shall determine the period of office. **[MFMA: S166 (5)].**

Members will at least include –

- Two members who should preferably have sound financial knowledge;
- A member with sound performance management knowledge;
- Members who have the necessary standing and expertise to provide the Municipal Entity with assurance that the risks are being appropriately managed;
- Members who have sound legal knowledge; and
- Members who have a sound knowledge and experience of local government Information Technology systems and structures.

During the appointment process the Council must determine whether an applicant is serving on not more than three other Local Government Audit Committees, being the limit as recommended by National Treasury in MFMA Circular 65. Should Council consider the appointment of such an applicant, the performance evaluation of such an applicant must not affect negatively on the performance of the Audit Committee.

5. TERMS OF OFFICE AND TERMINATION OF SERVICE

To enhance independence of the Audit and Risk Committee, the term of office for members must be strictly adhered to. The chairperson should be appointed for a minimum of three years to ensure that he/she contributes most effectively and provides stability to the Audit and Risk Committee.

Other Audit and Committee members should serve at least a minimum of three years with an option to renew for another three years, based on performance. Recruitment of members should be staggered to prevent a loss of knowledge and skills in the committee. The recruitment process of new members should be concluded at least three months in advance of the expiry of existing members term. The Chief Audit Executive must maintain records of Audit Committee member

contracts and ensure recruitment is undertaken as mentioned above.

Members of the Audit Committee shall not be contracted continuously for a period exceeding six years. After serving consecutively for six years, there shall be a cooling - o f f period of two years, before the same member can be considered to serve in this Committee.

Members are encouraged not to terminate their contracts until they have shared their knowledge with other new members. An Audit and Risk Committee member shall be required to give two months' notice prior to resignation.

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

Audit and Risk Committee members can be dismissed by the Municipal Council under certain circumstances. The Accounting Officer or Municipal Council shall consult the charter when dismissing members of the Audit and Risk Committee. Reasons for dismissal shall be detailed in the letter of appointment and contract agreement, such as:

- Where an on-going conflict of interest exists.
- Where a member has not performed to expectations.

The official dismissal processes as they relate to the municipal entity must be adhered to by the Accounting Officer and Board of Directors when an Audit and Risk Committee member has been dismissed.

Where appropriate, the dismissal process must be linked to the charter and member's performance assessment process. The dismissal of a member must be performed by the Municipal Council and the outcome of the dismissal process should be in writing. The date of dismissal shall be minuted by the secretariat of the Audit and Risk Committee.

The Committee Clerk shall provide secretarial services to the Audit and Risk Committee.

The appointment of a member will be terminated if he/she is declared bankrupt or found guilty of fraud or corruption or any offence where dishonesty is an element, in a court of law, during his/her term of office.

The Municipal Council must concur with any premature termination of services of a member of the Audit and Risk Committee.

6. MEMBERSHIP AND INDEPENDENCE

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

- The Audit and Risk Committee chairperson and members should be independent of the municipal entity;
- The Audit and Risk Committee chairperson and members should not be biased but exhibit an independence of mental attitude during deliberations;
- All Audit and Risk Committee members shall declare private and business interest in every meeting; and
- Members may not carry out any business with the municipal entity.

7. INDUCTION OF MEMBERS

A formal process of induction must be facilitated by the Chief Audit Executive 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 entail sufficient briefings and information on their roles, responsibilities, accountability and management's expectations.

Refer MFMA Circular 65 for further information.

8. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

8.1. Statutory responsibilities in terms of Section 166 (2) of the MFMA

The Committee must:

- a) Advise the Board of Directors, the Accounting Officer and the management staff of the entity, on matters relating to:
 - i. Internal financial control and internal audits;
 - 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 the MFMA, the annual Division of Revenue Act and any other applicable legislation;
 - viii. Performance evaluation; and
 - ix. Any other issues referred to it by the entity or the parent municipality.
- b) Review the annual financial statements to provide the Board of the municipal entity with an authoritative and credible view of the financial position of the municipal entity, its efficiency and effectiveness and its overall level of

compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation:

- c) Respond to the Board on any issues raised by the Auditor-General in the audit report;
- d) Carry out such investigations into the financial affairs of the municipal entity as the Board of the entity may request; and
- e) Perform such other functions as may be prescribed.

8.2. Performance Management

The Audit and Risk Committee shall consider matters relating to performance management at least four times per annum in order to discharge the responsibilities prescribed in terms of Regulation 14(4) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

The Audit and Risk Committee members need to have a good understanding of the performance management system, policy and strategy of the entity. These include:

- Review and comment on compliance with statutory requirements and performance management best practices and standards;
- Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan, performance agreements, alignment with Provincial and National Government frameworks;
- Review and comment on whether the “SMART” principles have been applied on the indicators to ensure they are measurable and relate to services performed by the entity;
- Reviews compliance with in-year reporting requirements;
- Review the quarterly performance reports submitted by internal audit;
- Review and comment on the entity’s annual financial statements and timely submission to the Auditor-General by 31 August, each year;
- Review and comment on the municipal entity’s annual reports within the stipulated timeframes;
- Review and comment on the municipal entity’s performance management system and make recommendations for its improvement; and
- The Chairperson, or a member in his absence, shall attend the formal evaluation of the Chief Executive Officer.

8.3. Internal audit

An important role of the Committee will be to monitor, assess and report on the effective functioning of internal audit, ensuring that the roles and functions of the external audit with internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the municipal entity's systems of internal control and reporting.

The Audit and Risk Committee must in relation to internal audit:

- Ensure that the charter, independence and activities of the internal audit function are clearly understood and respond to the objectives of the municipal entity and the legal framework;
- Regularly advise on 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;
- Review and approve the internal audit charter, including internal audit strategic plan;
- Confirm that the annual audit plan makes provision for critical risk areas in the municipal entity;
- Advise the municipal entity on resources allocated to give effect to the work outputs of the internal audit function;
- Confirm whether 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 Audit and Risk Committee 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 annually;
- Ensure that the Chief Audit Executive has reasonable access to the chairperson of the Audit and Risk Committee;
- Conduct a high-level review of internal audit on an annual basis, to ascertain whether the internal audit unit complies with the International Standards for the Professional Practice of Internal Auditing;
- Consult with the relevant structures regarding the appointment and termination of the services of the Chief Audit Executive;

Internal audit unit is accountable to the Audit and Risk Committee as follows:

- Maintain open and effective communication with the Audit and Risk Committee;
- Develop a flexible annual audit plan using a risk- based methodology, addressing any weaknesses in risks or controls identified and submit the audit plan to the Audit Committee for review and adoption;
- Report on the implementation and results of the annual audit plan including special tasks requested by management and the Audit and Risk Committee;
- Assist in drafting the agenda and documentation, and facilitate the distribution thereof to the Audit Committee

- in advance of meetings;
- Liaise periodically with the chairperson of the Audit Committee to discuss whether the material and information furnished meets the requirements of the Audit and Risk Committee;
 - Obtain advice from the Audit and Risk Committee whether the frequency and time allocated to the committee is sufficient to attend effectively to all matters;
 - Cooperate with the Audit and Risk Committee as they conduct annual reviews of the performance of the internal audit function; and
 - Submit the internal audit charter to the Audit and Risk Committee for review and adoption on an annual basis and as necessary.

8.4 Control Environment

The Audit and Risk Committee members need to have a good understanding of the control environment, in fulfilling this responsibility the committee should:

- Determine whether management follows a sound process to draw conclusions on the adequacy and effectiveness of the system of internal control and comment to management as such;
- 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; and
- Assess steps taken by management to encourage ethical and lawful behaviour, financial discipline and accountability for use of public resources.

8.5 Risk Management

The Accounting Officer is responsible for the establishment of effective risk management within the municipal entity. It is expected that the Audit and Risk Committee will provide an independent and objective view of the effectiveness of the municipal entity's risk management. The Audit and Risk Committee shall review recommendations made by the Risk Management Committee and consider these in line with this charter. The Audit and Risk Committee must also provide feedback to the Accounting Officer and the Board on the adequacy and effectiveness of risk management in the municipal entity.

8.6 External audit

The Audit Committee will attend to the following matters in conjunction with duly authorized representatives from the Office of the Auditor-General.

The Audit Committee 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 annual external audit plans, audit fees and other compensation;
- Review reports and monitor management's implementation of audit recommendations and municipal council resolutions in the new financial year;
- Review the report on the financial statements and matters raised therein for reasonability and accuracy;
- 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 entity;
- Provide advice to the Accounting Officer on actions taken relating to significant matters raised in external audit reports;
- Liaise with the external auditors on any matter that the Audit Committee considers appropriate to raise with the external auditor;
- Confirm whether the external auditors have reasonable access to the management and chairperson of the Audit and Risk Committee;
- Address any potential restrictions or limitations with the Accounting Officer and Board; and
- Address outstanding matters raised by the external auditors and any findings are dealt with conclusively in an expeditious manner.

8.7 Annual Financial statements

The financial statements must be reviewed by the Audit Committee at least two weeks before submission to the Auditor-General. The process and timelines for Audit Committee meetings should be changed accordingly.

The Audit Committee must review the annual financial statements to provide the municipal entity with an authoritative and credible view of the financial position of the municipal entity by:

- Confirming if the audit file is prepared in line with the applicable standards and guidance contained in MFMA Circular 50, or as updated;
- Reviewing the unaudited annual financial statements of the municipal entity to confirm that the quality, integrity and content is consistent with applicable standards and compliant with the legal framework;
- Evaluating the annual financial statements of the municipal entity for reasonableness, completeness and accuracy, and provide comment thereon, on a timely basis;
- Considering the Auditor-General's opinion on the quality and appropriateness of the municipal entity's accounting policies; and
- Reviewing efficiency and effectiveness of internal controls over AFS preparation and reporting

Specifically with regards to Annual Financial Statements, the Audit Committee should: Review and challenge where necessary:

- Arithmetical accuracy and consistency;
- Consistency of, and any changes to, accounting policies, comparing to prior years;
- Methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Municipal Entity has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account previous audit outcomes;
- The quality of disclosure in the Municipal Entity'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 Auditor-General have been appropriately accounted for, resulting in fair presentation; and
- 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.

8.8 Compliance with laws, regulations and ethics

The Audit and Risk Committee shall assess whether the management of the Municipal Entity has the necessary mechanisms in place to ensure that there is 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 include:

- reviewing policy documents which should incorporate compliance with laws, regulations, ethics, policies and rules regarding conflict of interest;
- monitoring the compliance with the policy documents;
- taking note of significant cases of conflicts of interest, misconduct, or fraud and the resolution of the cases;
- make recommendations regarding any potential conflicts of interest or questionable situations of a material nature, which are brought to its attention.
- reviewing the Internal and External Auditor's written reports concerning the scope of reviews of compliance, any significant findings, and the resolution and follow-up on findings and recommendations;
- monitoring developments and changes in the law relating to the responsibilities and liabilities of management and to monitor and review the extent to which the management is meeting its obligations;
- monitoring developments and changes in the various rules, regulations and laws which relate generally to the

Municipal operations and to monitor and review the extent to which the Municipal Entity is complying with such laws;

- reviewing the process for communicating the code of conduct to the Municipal Entity's personnel, and for monitoring compliance therewith; and
- obtaining regular updates from management and where necessary, legal counsel regarding compliance matters.

8.9 Information Technology (IT) and Governance

The Audit and Risk Committee also needs to provide advice on IT governance, controls, access, safeguarding of information in the municipal entity. Specific expertise may be required from within or outside the municipal entity from time to time, to assist the internal audit unit and Audit and Risk Committee to formulate recommendations on systems and controls. The Audit and Risk Committee may have to advise on the appropriateness of disaster recovery and continuity plans supporting IT risks, regular testing and evaluation of plans, systems and processes.

8.10 Combined assurance

The Audit and Risk Committee should confirm whether an effective, combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

- review whether the combined assurance received is appropriate to address all the significant risks facing the municipal entity; and
- monitor the relationship between the external assurance providers and the municipal entity.

9. REPORTING AND ACCOUNTABILITY

The chairperson of the Audit Committee will report on a quarterly basis, or more frequently if required, to the Board on the operations of the internal audit unit and the Audit Committee. The report should include:

- A summary of the work performed by the internal audit and the Audit and Risk Committee against the annual work plan;
- Effectiveness of internal controls and additional measures that must be implemented to address identified risks;
- A summary of key issues dealt with, such as significant internal and external audit findings, recommendations and updated status thereof;
- Progress with any investigations and their outcomes;
- Details of meetings and the number of meetings attended by each member; and
- Other matters requested of the internal audit and the Audit and Risk Committee.

The Audit and Risk Committee shall prepare a report annually which will be incorporated into the municipal entity's

annual report covering:

- Description of the functions performed by the Audit and Risk Committee and meetings attended;
- Resolutions taken by the Board and implementation status of recommendations made; and
- Other relevant comments that may enhance governance and accountability.

The chairperson of the Audit and Risk Committee must submit a copy of its report at least annually, or at other intervals, to the Municipal Public Accounts Committee (MPAC), for consideration during the MPAC engagements on the oversight report. The chairperson of the Audit and Risk Committee or a member in his absence, must always be available whenever MPAC needs clarity on the report of the Audit and Risk Committee.

Therefore, the roles and responsibilities and outputs of the internal auditor and Audit Committee assist to inform the work of the MPAC and oversight structures.

10 MEETINGS AND MEETING PROCEDURES

10.1 Frequency

Meetings of the Audit and Risk Committee will be held as frequently as the Audit Committee considers appropriate, but not less than four times a year. [MFMA – S166 (4) (b)]

Any member of the Audit and Risk Committee, the external auditors and the Chief Audit Executive may call special meetings of the Audit and Risk Committee when deemed necessary. The Audit and Risk Committee must meet with internal and external auditors at least once a year without management being present. Performance Management matters need to be addressed on at least two meetings per annum. Additional meetings to address Performance Management matters may be scheduled.

10.2 Attendance

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, Management, Internal Audit, and the Office of the Auditor- General to make proposals as necessary.

If the appointed Chairperson is absent from a meeting, the members present must elect a member present to act as Chairperson.

The following persons will have a standing invitation to attend the Audit and Risk Committee meetings:

- Chief Executive Officer;
- Chief Financial Officer;
- Internal Audit service provider

- Chairperson of the Risk Management Committee
- External Auditor (Auditor-General);
- Provincial Treasury;
- National Treasury; and
- Any other person on invitation by the chairperson of the Audit Committee.

The Accounting Officer, in consultation with the chairperson of the Audit and Risk Committee, must determine the time frames of all meetings. In light of the financial implications, the Accounting Officer in consultation with the chairperson of the Audit and Risk Committee must agree, if meetings go beyond a one day sitting.

The chairperson, in his or her discretion, may invite Board members or Officials to attend and be heard at meetings of the Audit and Risk Committee when there is a functional responsibility to be discussed. No such attendee shall have a vote at meetings of the Audit and Risk Committee.

10.3 Proceedings

Unless varied by these terms of reference, meetings and proceedings of the Audit Committee will be governed by the Municipal Entity's code regulating the meetings and proceedings of the Board and sub-committees of the Board.

10.4 Agenda and minutes

The Audit Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

The annual plan must ensure proper coverage of the matters laid out in the Audit and Risk Committee charter: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.

The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan. **(Annexured).**

The dates of meetings should be determined at least six months in advance and submitted to members as well as the determined invitees as stipulated in paragraph 10.2 above. This will assist members and invitees to diarise meetings in advance.

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Audit and Risk Committee and other invitees.

Audit and Risk Committee members must be fully prepared for Audit and Risk Committee meetings, to provide

appropriate and constructive input on matters discussed.

The minutes must be completed as soon as possible after the meeting and circulated to the chairman and members of the Audit and Risk Committee for review thereof.

The minutes must be formally approved by the Audit and Risk Committee at its next scheduled meeting.

Minutes of meetings shall be taken by the Secretariat and shall be reviewed and approved by the members of the Committee.

Audit Committee agendas and minutes of meetings should be forwarded to the Chief Audit Executive for information and for attending to any Council actions as may be required in consequence of such agendas, briefing papers and minutes.

The Secretariat is responsible for submission of minutes/reports of the Audit and Risk Committee to the Board for consideration.

In the event of the duly authorised representative of Office of the Auditor-General not being present at meetings, copies of the agenda and minutes of each meeting shall be forwarded to the Office of the Auditor-General for their information and records.

10.5 Quorum

The quorum for decisions of the Committee shall be any 50% plus 1-member present at the meeting of the Committee where the decisions are approved.

11. PERFORMANCE ASSESSMENTS

The Audit and Risk Committee should assess its performance and achievements against its charter on an annual basis. The assessment would cover the performance of the individual member as part of the overall committee with reference to the particular skills the member has brought to the committee as a whole.

The aim of the self-assessment is to ensure that the Audit and Risk Committee is meeting its objectives efficiently and effectively. The findings of the self-assessment should be presented by the chairperson to the Accounting Officer and the Board.

Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the Audit and Risk Committee, the chairperson should take action to ensure that such enhancements are

implemented. The chairperson may need to consult with the Accounting Officer and the Board to obtain appropriate support to ensure all enhancements are implemented.

It may be beneficial for the Audit and Risk Committee to use an external facilitator to provide assistance with, or to supervise the self-assessment process. It is up to the Audit Committee to decide whether the services of an external facilitator are required.

An external facilitator can provide an impartial and objective view and can approach the evaluation process without bias or preconceived ideas. The chairperson and external facilitator should provide feedback to the Audit and Risk Committee members and present the findings of the evaluation to the Accounting Officer and Board.

Where the Audit and Risk Committee is not performing in accordance with their charter and this has been observed by various stakeholders such as for example, internal audit, external audit or management, it would be appropriate for this or other issues to be brought to the attention of the Accounting Officer and Board.

If an individual Audit and Risk Committee member is not performing, then the member must be given an opportunity to address such with the Board. If it is considered necessary to terminate the services of an Audit and Risk Committee member prior to the end of the term of appointment, proper procedures should be followed. (Refer "5. Terms of office and termination of service" above)

12. GENERAL

The Committee in carrying out its tasks under these terms of reference may obtain such outside or other independent professional advice, as it considers necessary to carry out its duties upon approval of the Accounting Officer. These terms of reference may from time to time be amended as required, subject to the approval of the Board.

APPROVAL OF THESE TERMS OF REFERENCE

These terms of reference were reviewed by the Audit and Risk Committee on 29 August 20 (date) and approved by the Chairperson of the Board and Chairperson of the Audit and Risk Committee and will be reviewed annually unless circumstances warrant an earlier review.

Signature: 

BOARD CHAIRPERSON

Signature: 

AUDIT & AUDIT COMMITTEE CHAIRPERSON

KEY	✓ Item completed	✓ Item to be presented	→ Item carried forward
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2024-2025 Audit and Risk Committee Work Plan

Charter Responsibility	Activity	When	Meetings					
			Quarter					
			Financial Statements Meeting Q1 (19 Aug)	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)	
FINANCIAL REPORTING								
1.1 Annual financial statements and management representations	Review the financial statements and provide advice and recommend their signing by the Chair (include whether appropriate action has been taken in response to audit recommendation and adjustments)	Review annual financial statements preparation plan and progress	Twice per year	✓			✓	
		Review annual financial statements	Twice per year	✓				✓
		Review Closing Report	Annually	✓				
		Review CFO report and sign-off on annual financial statements including status of Ei findings	Annually	✓				
	Management Representations	Review Financial Statement Management Letter and supporting management representations	Annually	✓				
PERFORMANCE REPORTING								
2.1 Performance Reporting	Review Ei's systems and procedures for developing, measuring and reporting Ei' performance measures that are used to assess the achievement of the objectives of Ei' programs and its own operations Satisfy itself that appropriate records of performance are maintained by Ei	Review the quarterly budget & Performance Assessment	Quarterly		✓	✓		✓
		Review Ei's formal plan for the preparation of its: ● Annual financial Statements ● SDBIP & Annual Report Prep	Annually		✓	✓		✓
		Review proposed performance measures to be used in the Portfolio Budget Statements and the SDBIP	Annually					✓
		Review Quarterly Performance reports	Quarterly		✓	✓	✓	✓
SYSTEM OF RISK OVERSIGHT AND MANAGEMENT								
3.1 Risk Management Policy and existing risk management standards	Review whether management has in place a current and comprehensive risk management framework, risk policy and associated procedures for effective identification and management of business, financial, fraud, legal and compliance risks Risk Management Framework must support the development of a positive risk culture Provide advice on Ei's approach to reviewing adequate insurance arrangements	Annual review of the Risk Management Framework, Risk Policy and Risk Management / Treatment Plan	Twice per year and as required		✓			
		Review report Risk Management Plans	Twice per year and as required			✓		✓
		Risk Management Chairman's Report	Every meeting		✓	✓	✓	✓
		Review financial report from the CFO and consider financial risks identified	Every meeting		✓	✓	✓	✓
			Annually				✓	
3.2 Business continuity and disaster recovery	Provide advice on Ei's approach to business continuity and disaster recovery	Review of Business Continuity, Crisis Management and Disaster Recovery Framework	Annually				✓	
3.3 Preventing, detecting and dealing with Fraud	Review mechanisms and processes in place to prevent, detect and investigate fraud	Receive an annual report from management including risk assessment, risk plan, investigations and reporting and implementation thereof	Annually		✓			
		Internal annual review of Fraud Control Framework including fraud control plan, fraud risk management and treatments and progress report on implementation and treatments plan	Annually		✓			
		Receive reports on fraud that outline any identified allegations of fraud, the status	Review fraud reports	Every meeting		✓	✓	✓

	of any ongoing investigations and any changes to identified fraud risk								
3.4 Legislative and Policy Compliance	Review the effectiveness of the system for monitoring Ei's compliance with relevant laws, regulations and associated governance policies that Ei must comply with	Review of legislative compliance	Annually						√
SYSTEM OF INTERNAL CONTROL									
4.1 Compliance and assurance	Review whether management has in place a process for regularly reviewing and updating key policies including approaches to compliance and assurance	Internal policies and procedures are reviewed by management and the ARC is updated of any significant changes as a result of this activity.	Annually						√
4.2 Delegations and authorisations	Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations	Report on compliance with delegations	Annually and if significantly amended						√
4.3 Internal Audit Program	Provide advice on the internal audit program, internal audits, progress on recommendations and resourcing of the internal audit function	Review the proposed approach for the development of the Internal Audit Program	Annually						√
	Provide advice on performance of internal audit	Update on Internal Audit Program progress and review of coverage	Every meeting		√	√	√	√	√
		Review of internal audit, including appointment of outsourced organisation	Annually					√	
4.4 Audit reports and findings	Review all audit reports and provide advice to the Board on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice	Review all Internal Audit Reports	Every meeting as required		√	√	√	√	√
	Monitor management's implementation of internal audit recommendations	Progress reports on implementation of internal audit report recommendations	Every meeting		√	√	√	√	√
4.5 External audit (AGSA)	Tracking of implementation of external audit recommendations in accordance with agency approved approach	Review approach to be adopted for monitoring Ei's performance audit recommendations consistent with the agreed ARC responsibility	Annually						√
	Progress report on implementation of external audit report recommendations (if required)	Implementation Progress of Ei Recommendations	Every meeting as required		√	√	√	√	√
4.6 Significant Breach reporting	Provide advice regarding Significant Breaches	Review Significant Breaches	Every meeting		√	√	√	√	√
RISK AND AUDIT COMMITTEE GOVERNANCE									
5.1 Charter and Work Plan	Periodically review the ARC Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place	Review Charter and Work plan	Annually		√				
5.2 Review the performance of the ARC	The Council will initiate a review of the performance of the ARC at least once every two years	Conduct assessment of performance based on agreed KPIs and protocols	Every 2 years				√		
5.3 Reporting to Council	The ARC will as often as necessary, and at least once a year, report to the Council on its operation and activities during the year	Chair of the ARC to present to the Council following each meeting	Annually and as required				√		