



PUBLIC SECTOR
AUDIT COMMITTEE FORUM

Terms of Reference and Annual Planner for National and Provincial Government Audit Committees

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Executive Summary

The purpose of this paper is to assist a national department, provincial department and public sector entity or agency in the establishment of a public sector Audit Committee.

The responsibility relating to an oversight committee for risk management is not dealt with in this document, although the Audit Committee is sometimes combined with the Risk Committee in this sector of the economy.

The Audit Committee has oversight over financial risks and these risks should be dealt with by this committee. There should be close cooperation between Risk and Audit Committees due to the close association of the risk, financial and control environments.

The Audit Committee plays an essential role in the overseeing of financial reporting. By providing an independent oversight to executive management, the Committee supports internal and external audit and other assurance providers in maintaining an independent stance. The Audit Committee has oversight over the effectiveness of internal control processes and ensures that public financial reporting, including the financial statements, present a fair picture of the institution's financial position and performance.

The Audit Committee does not assume any functions of management. These remain the duties of the organisation's executive, managers, officers and other members of senior management.

Purpose of this document

The Audit Committee must have a formal charter (terms of reference), approved by the relevant authorities as determined by the various applicable legislation. This document should set out the legislated roles, responsibilities, duties and objectives of the Committee, as well as those delegated by the relevant authorities and other current best practice. Refer to Appendix-A.

The Audit Committee plays an independent role in making recommendations to the relevant authorities with regard to:

- Financial reporting;
- Financial risk management;
- Internal audit;
- Combined assurance;
- Internal control;
- Governance;
- Business performance information management;
- Compliance; and
- External audit

Any entity which needs to comply with the Companies Act 71 of 2008 should refer to the Audit Committee Forum (www.acf.co.za) web site ACF Position Paper 1 for guidance on establishing audit committees in the private sector.

Composition

The accounting officer in consultation with the executive authority should appoint the Audit Committee members.

Legislation requires the appointment of at least three independent members, although larger and more complex organisations may require larger committees. The Committee should be large enough to provide sufficient diverse views and experience. The Committee should be allowed to discharge its duties freely and objectively without undue political interference.

The independence of the Committee is important to the execution of its duties and appointments should be for defined periods. If a committee member ceases to act independently continuation of that membership should cease.

Members of the Audit Committee must have the necessary qualities and skills to be effective. As a body, the Committee members should be informed, vigilant and effective overseers of the financial reporting process. The majority of the members of the Committee should be financially literate and have understanding of and access to the relevant financial reporting standards and understanding of the audit process, the environment in which the organisation operates, knowledge of risks and controls and keep themselves informed of relevant changes to legal, accounting, disclosure and reporting standards.

Audit Committee members should make sufficiently available and contribute the necessary time to perform their duties adequately.

Meetings

Sufficient meetings should be held annually for the Committee to discharge its duties as defined in the charter fully. The Audit Committee chair should meet with committee members before and after each scheduled meeting to identify any additional concerns or issues. The Committee chair should have separate discussions with the external, internal auditor and management on a regular basis to ensure there are no unresolved issues of concern.

The Committee should establish a plan for the year to ensure all issues are covered by the agendas of the meetings planned for the year. Refer to Appendix-B. The plan should ensure coverage of all matters required in the charter.

Audit Committee members should be fully prepared for meetings, having diligently reviewed all relevant materials. The Committee should ensure that the organisation provides the materials in a timely manner to ensure that the members have enough time to review and critically analyse the information provided.

Appendix-A: Audit Committee Charter

TITLE	AUDIT COMMITTEE CHARTER
PURPOSE	TO DEFINE THE PURPOSE, AUTHORITY & RESPONSIBILITY OF THE AUDIT COMMITTEE
APPROVED BY	
CHIEF EXECUTIVE OFFICER	SIGNATURE:..... DATE.....
AUDIT COMMITTEE CHAIRPERSON	SIGNATURE:..... DATE.....
CHAIRPERSON OF COUNCIL/ EXECUTIVE AUTHORITY	SIGNATURE:..... DATE.....
FIRST EFFECTIVE DATE	Day Month Year e.g. 20 June 2013
REVISION EFFECTIVE ON	Day Month Year e.g. 20 June 2013
MODIFICATION HISTORY	1 ST REVISION- day Month Year e.g. 20 June 2013

This charter sets out the committee's objectives, authority, responsibilities, composition and tenure, reporting and administrative arrangements. Accounting Officers and Audit Committees are encouraged to review their existing charters against this model taking into account each particular circumstances including the range of factors outlined in Part 4 of this Guide.

		National	Provincial	Public Entity	Legislation	Best practice
1.	Introduction and Statement of Policy					
1.1	The Audit Committee has been established in compliance with sections 76(4) (d) and 77 of the Public Finance Management Act (PFMA Act 1/1999) and section 3 of Treasury Regulations (GG 27388 - 15 March 2005). The objective of the Audit Committee is to provide independent oversight over the following: <ul style="list-style-type: none"> • internal audit, • external audit (as far as risk management is being implemented) • financial reporting, • governance, • internal control and • risk management. 	✓	✓	✓	✓	
1.2	This charter sets out the authority and specific responsibilities of the Audit & Committee and details the manner in which the Committee will operate.	✓	✓	✓		✓
1.3	The Audit Committee (Committee) is constituted to assist the Entity/Council/Department/Province in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards as prescribed in the Public Finance Management Act, 1999 (Act 1/1999) and the prevailing Treasury Regulations.	✓	✓		✓	
1.4	The Committee is not intended to perform any management functions or assume any management responsibilities. It provides a forum for discussing control issues, enterprise wide risks, governance issues, reporting and for making relevant recommendations for consideration by Council.	✓	✓	✓		✓
1.5	The Committee shall have unrestricted access to information, management, the <i>Chairperson of Council/Accounting Officer</i> and resources required to fulfil its function.	✓	✓			
2.	Authority					
2.1	The Audit Committee is authorised to perform the functions as described in this charter. In carrying out its mandate, the Audit Committee is authorized to have full, free and unrestricted access to all relevant organization activities, records, property and staff to properly perform its duties and execute its powers.	✓	✓	✓	✓	
2.2	The Audit Committee will safeguard all the information supplied to it in full compliance with the law.	✓	✓	✓	✓	
2.3	<i>The organisation</i> authorises the Audit Committee within the scope of its responsibilities to have full access to information required to execute its mandate and to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Acquisition of outside services should be made subject to the approval of <i>the organisation</i> and approved procurement policies. The organisation shall not withhold approval or make procurement difficult should the Audit Committee's request be what a reasonable citizen should expect.	✓	✓	✓	✓	
2.4	The Audit Committee has a decision making authority in regard to its statutory duties and is accountable in this respect to the Accounting Officer, Executive Authority and/or Accounting officer or the Executive Authority. On all responsibilities delegated to it outside of the statutory duties, the Audit Committee makes recommendations for approval by the Accounting Officer, Executive Authority and/or Accounting officer or the Executive Authority.	✓	✓	✓	✓	
2.5	The Audit Committee acts in accordance with its statutory duties and is hereby authorized/delegated to perform the functions as described in these terms of reference.	✓	✓	✓	✓	
2.6	The Audit Committee in the fulfilment of its duties has the right to call upon the chairpersons of the other Accounting officer or the Executive Authority committees, the executive director, company officers, and company secretary or assurance providers to provide it with information subject to approved processes.	✓		✓	✓	
2.7	The Audit Committee shall be afforded direct and unobstructed lines of communication to the relevant <i>Minister, Executive Authority, relevant Treasury</i> as well as the external and internal auditors.	✓		✓	✓	
2.8	The Accounting Officer has appointed the Audit Committee in consultation with the relevant Executive Authority solely for the <i>organisation</i> and shall not sit for matters outside of <i>organisation's</i> mandate.	✓	✓	✓	✓	
3.	Composition and remuneration					
3.1	Where the Audit Committee has been established for two or more departments (state the departments) as the relevant treasury has considered it to be more economical [Para. (c) substituted by s. 40 (b) of Act No. 29 of 1999 and Auditor-General has been informed within 30 days of the determination.	✓		✓	✓	
3.2	The shared Audit Committee has been appointed by the head of the relevant treasury after consultation with the relevant executive authorities. (TR 3.1.3)	✓	✓	✓	✓	

		National	Provincial	Public Entity	Legislation	Best practice
3.3	The audit committee has been constituted so as to ensure its independence and its membership shall be disclosed in the annual report of the department. (TR 3.1.5)	✓		✓	✓	
3.4	Members of an Audit Committee who have been appointed from outside the public service pursuant to section 77(a) (i) of the Act have got appropriate experience, are appointed on contract and shall be remunerated in accordance with paragraph 20.2.2 of the Treasury Regulations.	✓	✓	✓	✓	
3.5	The relevant executive authority has concurred with any premature termination of the services of a person serving on an Audit Committee.	✓	✓		✓	
3.6	The chairperson of an Audit Committee is independent, knowledgeable of the status of the position, has the requisite business, financial and leadership skills and is not be a political office bearer.(TR 3.1.4)	✓	✓	✓	✓	
3.7	Should it be deemed necessary, such members shall be remunerated taking into account tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor-General South Africa as provided for in paragraph 20.2.3. (TR 3.1.6)	✓	✓		✓	
3.8	New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities. (King III Chapter 3, para 16)	✓		✓		
3.9	The committee shall consist of a minimum of 3 members who are independent to the organisation.	✓	✓	✓	✓	
3.10	The Committee shall consist of not less than three members appointed by <i>organisation</i> for a period to be determined by the governing body and the majority of members shall be independent members who are financially literate i.e. having a thorough understanding of International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and any other reporting frameworks applicable to the Audit Committee. The committee should also possess sufficient and relevant knowledge of corporate law and core operational activities.	✓		✓	✓	
3.11	The Committee Chairperson should have financial, business and leadership skills. The chairperson of the committee shall be independent and appointed by members of the committee.	✓	✓	✓		✓
3.12	The secretary for the Audit Committee meetings shall be the <i>company secretary</i> .	✓	✓	✓		✓
3.13	The Committee may invite the following individuals to attend meetings as invitees: <ul style="list-style-type: none"> • <i>Organisation employees</i> • <i>Chief Executive Officer/Accounting Officer</i> • <i>Chief Financial Officer</i> • <i>Head of Risk</i> • <i>Head of Information Technology</i> • <i>Head of Internal audit</i> • <i>External Auditors/representative of the Auditor General</i> • <i>Any other person that the Committee may invite who is relevant to the deliberations of the Committee.</i> 	✓	✓	✓		✓
4.	Responsibilities of the Committee					
	The Audit Committee must, amongst others, review the following: <ul style="list-style-type: none"> • the effectiveness of the internal control systems; • the effectiveness of the internal audit function; • the risk areas of the 's operations to be covered in the scope of internal and external audits; • the adequacy, reliability and accuracy of the financial information provided to management and other users of such information; • any accounting and auditing concerns identified as a result of internal and external audits; and • compliance with legal and regulatory provisions. 	✓	✓	✓	✓	
4.1	Responsibilities related to Financial Reporting					
4.1.1	Review the appropriateness of accounting policies;					
4.1.1.1	Review the appropriateness of assumptions made by management in preparing the financial statements.	✓	✓	✓		✓
4.1.1.2	The audit committee should annually review the expertise, resources and experience of the organisation's finance function, and disclose the results of the review in the integrated report.	✓	✓	✓		✓
4.1.1.3	The Audit Committee should also consider and satisfy itself of the suitability of the expertise and experience of the Chief Financial Officer annually.	✓	✓	✓		✓

		National	Provincial	Public Entity	Legislation	Best practice
4.1.1.4	In accordance with section 27.1.8 of the Treasury Regulations, applicable to public entities, the audit committee must review the adequacy, reliability and accuracy of the financial information provided by management and other users of such information. The Audit Committee must review the effectiveness of the internal control systems on an annual basis.	✓	✓	✓	✓	
4.1.1.5	Review changes in the accounting standards and approve the 3 year rolling plan of standards to be adopted by the entity. Approve all changes made to the accounting policies of the entity.	✓	✓	✓		✓
4.1.1.6	Review and approval for onward submission to the Accounting officer or the Executive Authority: <ul style="list-style-type: none"> • Quarterly financial statements • Quarterly review of expenditure management versus the budget and the projected year end forecast for the entity • Any cost containment strategies and progress made quarterly • Working Capital Management strategy • Pricing framework and strategy as it impacts on the income generation capacity of the entity. 	✓	✓	✓	✓	
4.1.1.7	Satisfy itself about the adequacy of key internal controls and that the financial statements are supported by appropriate management sign-off.	✓	✓	✓		✓
4.1.1.8	Review the financial statements and provide advice to the Accounting Officer (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing by the Accounting Officer.	✓	✓	✓		✓
4.1.1.9	Review the processes in place designed to ensure that financial information included in the annual report is consistent with the signed financial statements.	✓	✓	✓		✓
4.1.1.10	On a quarterly basis executive management must table to the Audit Committee any instances of unauthorised, irregular, fruitless and wasteful expenditure. The Audit Committee should be kept abreast of how the instances of unauthorised, irregular, fruitless and wasteful expenditure are being dealt with and managed within XXX entity. The amount of unauthorised, irregular, fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements of XXX entity.	✓	✓	✓	✓	
4.2	Responsibilities related to Risk Management					
	The Audit Committee is an integral component of the risk management process. The Audit Committee shall review and recommend the quarterly assessment of the top 10 strategic risks of <i>organisation</i> to the Accounting Officer for approval. The top 20 operational risks shall be reviewed and tracked by the Audit Committee to ensure that the level of risk at an operational level is acceptable. The Audit Committee shall review and recommend the following to the Accounting officer or the Executive Authority:	✓	✓	✓		✓
4.2.1	Enterprise wide risk management framework and methodology;	✓	✓	✓		✓
4.2.2	Risk management policies unless delegated to Audit Committee;	✓	✓	✓		✓
4.2.3	The annual risk tolerance limits and risk appetite;	✓	✓	✓		✓
4.2.4	The annual assessment and adequacy of insurance portfolio and fidelity cover of XXX entity;	✓	✓	✓		✓
4.2.5	Adequacy of the risk management function, its effectiveness and coverage in support of the business and financial strategy of XXX entity;	✓	✓	✓		✓
4.2.6	Review and approve the risk management disclosures of the integrated annual report for inclusion in the annual report;		✓	✓		✓
4.2.7	Satisfy itself that it has appropriately addressed the following areas: <ul style="list-style-type: none"> a) financial reporting risks, including the risk of fraud; b) internal financial controls; and c) IT risks as they relate to financial reporting. 	✓	✓	✓		✓
4.3	Internal Audit					
	The committee is responsible for overseeing of internal audit, ensuring that the internal audit function performs their responsibilities effectively and efficiently by:					
4.3.1	Approving the internal audit terms of reference;	✓	✓	✓		✓
4.3.2	Reviewing the effectiveness annually of the internal audit function including compliance with the International Standards for the Professional Practice of Internal Auditing;	✓	✓	✓		✓
4.3.3	Approving the annual internal audit plan and the three year rolling plan;	✓	✓	✓		✓

		National	Provincial	Public Entity	Legislation	Best practice
4.3.4	Reviewing the results of quality assurance reviews;	✓	✓	✓		✓
4.3.5	Ensuring that internal audit work is coordinated with external audit to achieve an appropriate level of combined assurance and avoid duplications of costs;	✓	✓	✓		✓
4.3.6	Ensuring that the internal audit function is subject to an independent quality review at least every 3/5 years or as and when the Audit Committee determines it appropriate. The implementation plans should be monitored and tracked by the Audit Committee;	✓	✓	✓		✓
4.3.7	Review all audit reports and provide advice to the Accounting officer or the Executive Authority on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice;	✓	✓	✓		✓
4.3.8	An in camera meeting with the Chief Audit Executive on a quarterly basis;	✓	✓	✓		✓
4.3.9	Periodically review the internal audit charter to ensure appropriate authority, access and reporting arrangements are in place;	✓	✓	✓		✓
4.3.10	Periodically review the performance of internal audit;	✓	✓	✓		✓
4.3.11	Provide advice to the Accounting Officer on the appointment of the Head of Internal Audit (in the case of an in-house internal audit function) and/or recommend to the Accounting Officer the appointment of the internal auditor where outsourced or co-sourced;	✓	✓	✓		✓
4.3.12	Ensure co-ordination and co-operation between the external and internal auditors to minimize duplication of effort and promote reliance where possible;	✓	✓	✓		✓
4.3.13	Review quality assurance processes and the results of any quality assurance reviews;	✓	✓	✓		✓
4.3.14	Annual confirmation of the internal audit functions independence;	✓	✓	✓		✓
4.3.15	On a regular basis, meet with the Chief Audit Executive to discuss any matters that the committee or CAE believes should be discussed privately;	✓	✓	✓		✓
4.3.16	Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities; (King III - Principle 3.5)	✓	✓	✓		✓
4.3.17	Reviewing the organizational structure, competence and qualifications of the internal audit function;	✓	✓	✓		✓
4.3.18	Reviewing the plans and budgets of the internal audit function;	✓	✓	✓		✓
4.4	Combined Assurance					
	The committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the audit committee should:	✓	✓	✓		✓
4.4.1	Ensure that the combined assurance received is appropriate to address all the significant risks facing XXX; and	✓	✓	✓		✓
4.4.2	Monitor and manage healthy relationships between the internal, external assurance providers and XXX.	✓	✓	✓		✓
4.5	Internal Control					
4.5.1	Review the functioning and effectiveness of the internal control system, including information technology security and control, including over external parties such as contractors and advisers;	✓	✓	✓		✓
4.5.2	Review whether management has in place relevant policies and procedures, including Accounting Officer's Instructions or their equivalent, and that these are periodically reviewed and updated;	✓	✓	✓		✓
4.5.3	Determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with;	✓	✓	✓		✓
4.5.4	Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations;	✓	✓	✓		✓
4.5.5	Consider how management identifies any required changes to the design or implementation of key internal controls;	✓	✓	✓		✓
4.5.6	Assess whether management has taken steps to embed a culture that promotes the proper use of public resources and is committed to ethical and lawful behaviour. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;	✓	✓	✓		✓
4.5.7	Review whether the financial internal controls are operating efficiently, effectively and economically.		✓	✓		✓

		National	Provincial	Public Entity	Legislation	Best practice
4.6	Governance					
4.6.1	Periodically review governance arrangements or elements of the arrangements as determined by the Accounting Officer and suggest improvements, where appropriate, to the Accounting Officer.	✓	✓	✓		✓
4.6.2	The Audit Committee is delegated by the Accounting officer or the Executive Authority to manage the IT governance of XXX entity. This is not a statutory responsibility but a delegated responsibility in support of the functions and duties of the Accounting officer or the Executive Authority. The Audit Committee must review and approve the IT Governance Framework, the IT Governance maturity level to be targeted by organisation. This should be monitored and tracked on a quarterly or semi-annual basis by the Audit Committee.	✓	✓	✓		✓
4.7	Business Performance Information Management					
4.7.1	Review on a quarterly basis the overall business progress made towards achievement of pre-determined objectives and report to the Accounting Officer instances of non-achievement or slow progress.	✓	✓	✓		✓
4.7.2	Review the adequacy and effectiveness of the process whereby annual and quarterly performance targets are set, and subsequent performance information are generated, collated, assessed and reported specifically the functionality and integrity of the mechanisms, systems and processes utilised for performance management;	✓	✓	✓		✓
4.7.3	Assess whether the performance measures used were adequate and reliable enough in measuring the performance of the department on key or general performance indicators as determined by the department.		✓	✓		✓
4.8	Compliance with Laws and Regulations					
4.8.1	In accordance with Section 27.1.8 of the Treasury Regulations applicable to public entities, the committee must review organisation compliance with legal and regulatory provisions. On a quarterly basis the Audit Committee will review and recommend to the Accounting officer or the Executive Authority the level of compliance within organisation with laws and regulations.	✓	✓	✓	✓	
4.9	External Audit The committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the Audit Committee is required to:					
4.9.1	Nominate the external auditor for appointment by the Accounting officer or the Executive Authority, auditor general if applicable and notify the shareholder;			✓		✓
4.9.2	Approve the terms of engagement and remuneration for the external audit engagement;			✓		✓
4.9.3	Monitor and report on the independence of the external auditor in the preparation of the annual financial statements;			✓		✓
4.9.4	Define a policy for non-audit services provided by the external auditor;	✓	✓	✓		✓
4.9.5	Ensure that there is a process for the committee to be informed of any Reportable Irregularities (as defined in the Auditing Profession Act, 2005) identified and reported by the external auditor;	✓	✓	✓		✓
4.9.6	Review the quality and effectiveness of the external audit process;			✓		✓
4.9.7	Consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are appropriately qualified and accredited;	✓	✓	✓		✓
4.9.8	Preside over significant disagreements between external auditors and management;			✓		✓
4.9.9	Preside and decide on material unresolved accounting and auditing problems;	✓	✓	✓		✓
4.9.10	Ensure direct access by the external auditors either to the Audit Committee or the chairperson of the committee on a quarterly basis;	✓	✓	✓		✓
4.9.11	Meet separately with the external auditors to discuss any matters that the Audit Committee or auditors believe should be discussed in camera;	✓	✓	✓		✓
4.9.12	Review the external auditors proposed scope and approach, including coordination of audit effort with internal audit.		✓	✓		✓
4.10	Other responsibilities					
4.10.1	Review the effectiveness of the system for monitoring compliance with laws, regulations and associated government policies that must be complied with;	✓	✓	✓		✓
4.10.2	Determine whether management has appropriately considered legal and compliance risks as part of the enterprise risk management plan;	✓	✓	✓		✓

		National	Provincial	Public Entity	Legislation	Best practice
4.10.3	Satisfy itself that appropriate mechanisms are in place for the portfolio Accounting Officer to be informed of all significant issues within the portfolio that may affect the portfolio responsibilities of the Accounting Officer;		✓	✓		✓
4.10.4	Satisfy itself that the organisation has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews of the, and recommendations arising from these reports and reviews;		✓	✓		✓
4.10.5	Review ethical and social responsibility policies and implementation thereof;	✓	✓	✓		✓
4.10.6	Assist in the overseeing of integrity of integrated reporting (sustainability).	✓	✓	✓		✓
5.	Meetings					
5.1	The Audit Committee shall meet at least twice in a financial year (recommend 3-4 times).	✓	✓	✓	✓	
5.2	Special meetings of the Audit Committee may be convened as and when required. Any member of the committee may call for a special meeting. The internal and external auditors may request a meeting if they consider that one is necessary. The need for special meetings shall be discussed by the chairperson of the Audit Committee prior to convening such a meeting.	✓	✓	✓		✓
5.3	Special meetings should be kept at a low minimum number, and necessity should be determined upfront.	✓		✓		✓
5.4	The quorum for meetings shall be a majority of non-executive members of the audit committee. Standing invitees and executive management do not form part of the quorum for committee meetings but are present for discussion purposes i.e. no voting rights.	✓	✓	✓		✓
5.5	The committee must meet with internal and external auditors at least once a year or quarterly without management being present.	✓		✓		✓
5.6	All Audit Committee members are expected to attend each meeting in person or via teleconference or video conference.	✓	✓	✓		✓
5.7	Minutes must be reviewed by the Chair and circulated to each member and committee observers, as appropriate.	✓	✓	✓		✓
5.8	The Chief Financial Officer, Chief Risk Officer and Chief Audit Executive will have a standing invitation to attend committee meetings and they may not vote. Representatives from the external auditors, other assurance providers and members of Senior Management may, by special invite of the Chair only, be in attendance at committee meetings and they may not vote.	✓	✓	✓		✓
5.9	The chair may request that certain issues be considered by way of round robin. This process will be facilitated and managed by the company secretarial function of XXX entity.	✓	✓	✓		✓
6.	Responsibilities of committee members					
7.1	Members of the committee are expected to understand and observe the legal requirements of the PFMA, Treasury Regulations, Companies Act and King III.	✓	✓	✓		
7.2	Members are also expected to: <ul style="list-style-type: none"> • Act in the best interests of the department they are serving; • Apply good analytical skills, objectivity and good judgment; • Express opinions constructively and openly, raise issues that relate to the committee's responsibilities and pursue independent lines of enquiry; and • Contribute the time required to review the papers provided. 	✓	✓	✓		✓
7.3	Once each year, members of the Audit Committee will provide written declarations to the Chair for provision to the Accounting Officer declaring any potential or actual conflicts of interest they may have in relation to their responsibilities.		✓	✓		✓
7.4	External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.	✓	✓	✓		✓
7.5	At the beginning of each Audit Committee meeting, members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members and action taken will be appropriately documented.		✓	✓		

		National	Provincial	Public Entity	Legislation	Best practice
7.	Reporting and evaluation					
7.1	The committee will as often as necessary, and at least once a year, report to the Accounting Officer on its operation and activities during the year. The report should include: <ul style="list-style-type: none"> • a summary of the work the committee performed to discharge its responsibilities during the preceding year; • a summary of the progress in addressing the findings and recommendations made in internal and external audit and parliamentary committee reports; • an overall assessment of risks, control and compliance framework, including details of any significant emerging risks or legislative changes impacting; and • details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended. 	✓	✓	✓		✓
7.2	The Audit Committee shall report to the Accounting Officer any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the Accounting Officer.		✓	✓	✓	
7.3	The Accounting officer or the Executive Authority must conduct an annual evaluation of the performance of the Audit Committee. The results thereof will be discussed at an Accounting officer or the Executive Authority meeting and any changes etc. will be amended in these terms of reference. An implementation will be drafted if necessary and monitored by the Chairperson of the Accounting officer or the Executive Authority to ensure that the Audit Committee fulfils its delegates and statutory duties.	✓	✓	✓	✓	
8.	Assessment arrangements					
	The Chair of the Audit Committee, in consultation with the Accounting Officer, will initiate a review of the performance of the committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Accounting Officer) with appropriate input sought from the Accounting Officer, committee members, senior management, the internal and external auditors, Chief Financial Officer, and any other relevant stakeholders, as determined by the Accounting Officer. The Chair will provide advice to the Accounting Officer/Executive Authority on an external member's performance where an extension of the member's tenure is being considered.	✓	✓	✓	✓	

Audit Committee Planning Calendar		Meeting		Annually	Every 3 Yrs	Every 5 Yrs	National	Provincial	Public Entities	Comment	
		Q 1	Q 2								Q 3
Fiduciary duties of accounting authorities:											
Protection of assets and records:											
Table annually IT governance and security policies for review and approval if delegated as such by Board.		X					X	X	X		
Table annually Business continuity and disaster recovery policies for review and approval.		X		X			X	X	X		
As and when business continuity is tested within the organisation, the results should be made available to the audit committee, with lessons learnt and an action list of items to be addressed to improve business continuity.		X		X			X	X	X		
Act with fidelity, honesty, integrity and in the best interests of the public entity:											
Annually review Directors' fidelity cover, assess adequacy compared to changes in the business environment and risks associated and recommend approval of Fidelity cover to the Board.		X		X						X	
Disclose any direct/indirect personal/private business interest:											
Each audit committee member should annually disclose/declare their personal interests and submit any conflicts etc. that may arise during the course of the year to the Chairman of the Board. This should be in the form of a physical signed submission to the company secretary.		X	X	X	X		X	X	X	X	
At each meeting sign a declaration of interest form.		X	X	X	X		X	X	X	X	
At each meeting where a personal interest has been disclosed then the audit committee member should excuse him/herself from that part of the meeting and the company secretary should minute that the member left the meeting temporarily due a personal interest being discussed.		X	X	X	X		X	X	X	X	
General responsibilities of accounting authorities:											
Effective, efficient and transparent systems of financial and risk management and internal control.		X	X	X	X		X	X	X	X	
Annually, internal and external audit and risk management must submit an annual conclusion of the above areas to the audit committee for deliberation and to assist the audit committee in drafting their report that forms part of the integrated annual report.				X			X	X	X	X	
A system of internal audit under the control and direction of an audit committee:											
Audit committee must review and approve the following with regard to the internal audit function:											
a. Rolling 3 year strategic internal audit plan;			X								
b. Annual internal audit plan which covers the first year of the 3 year rolling plan;			X								
c. Plans indicating the scope of each audit on the 1 year plan;			X								
d. Operating procedures, with management inputs, to guide the audit relationship;				X							
e. a quarterly report to the audit committee detailing internal audits' performance against the annual internal audit plan, to allow effective monitoring and possible intervention.		X	X	X	X						
King III requirements for Internal audit											
Be responsible for the appointment, performance assessment and dismissal of the Chief Audit Executive.				X			X	X	X	X	
Approve the internal audit plan.			X								
Consider and recommend the internal audit charter for approval by the board.				X							
Oversee the appropriateness of staffing and objectives of the internal audit function and make recommendations to the board.				X							
Ensure that the internal audit function is subjected to an independent quality review, either in line with the Institute of Internal Auditors standards or when the committee determines it appropriate, as a measure to ensure the function remains effective.						X					

Audit Committee Planning Calendar											
	Meeting				Annually	Every 3 Yrs	Every 5 Yrs	National	Provincial	Public Entities	Comment
	Q 1	Q 2	Q 3	Q 4							
Evaluate the performance of the internal audit function every year to ensure that the function is fulfilling its responsibility to assist and advise the audit committee and the board.					X						
Ensure that the internal audit function is independent and has the necessary resources, approved budget, standing and authority within the company to enable it to discharge its functions.	X	X	X	X							
Obtain feedback from internal audit at all audit committee meetings.	X	X	X	X							
Meet separately with internal audit (without management being present) at least once a year.	X	X	X	X							
Evaluate the nature and extent of the formal documented review of internal financial controls performed by internal audit.	X	X	X	X							
Review arrangements made by the company to enable employees and outside whistleblowers to report in confidence, their concerns about possible improprieties in matters of financial and sustainability reporting, or non-compliance with laws and regulations that may have a direct or indirect effect on integrated reporting.	X	X	X	X							
Internal control											
The audit committee must prepare a report for the annual report that comments on:											
a. the effectiveness of internal control;					X						
b. the quality of in year management and monthly reports submitted in term of relevant legislation; and					X						
c. its evaluation of the annual financial statements.					X						
Chair of audit committee duty to report instances of any fraud, corruption and gross negligence implicating the accounting officer promptly to the relevant executive authority.	X	X	X	X							
Audit committee must participate in an annual assessment, review and approval of risks facing the entity.					X						
Audit committee must review and approve a fraud prevention plan annually.					X						
An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective:											
Tenders that the audit committee should oversee:											
1. Appointment of external auditors.										X	
2. Appointment of internal audit if outsourced.					X		X	X	X	X	
A system for properly evaluating all major capital projects prior to a final decision on the project:											
Tabled as and when only if delegated by the Board.											
It is suggested that the audit committee should review as one part of the capital projects approval process giving support to the Board on the financial aspects of the decision making process.					X		X	X	X	X	
Collect all revenue due to the public entity concerned:											
Review revenue targets set as part of the corporate plan budget submission.					X					X	
Review and approve limits for bad debt write offs.					X					X	
Review and approve limits for provision for doubtful debts.					X					X	
Quarterly review management accounts noting revenue performance against the budget as well as the level of debtors and the management thereof i.e. debtors days, charging of interest/penalties etc.	X	X	X	X						X	

Audit Committee Planning Calendar		Meeting				Annually	Every 3 Yrs	Every 5 Yrs	National	Provincial	Public Entities	Comment
		Q 1	Q 2	Q 3	Q 4							
Management of debtors												
Annually management must table for review and approval the write off of any debtors as well as the provision for doubtful debts. Based on the delegation of authority and the magnitude/rand value of the debtors to be written off and the extent of the provision, it will either be the approval of audit committee and if above their delegated limit, then the audit committee will recommend to the Board for approval.												
					X						X	
Review and recommend approval to Board for any actual bad debt write offs - delegation of authority can be used to set limits between management, CFO, CEO, audit committee and Board.												
					X						X	
Prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity												
Unauthorised, irregular, fruitless and wasteful expenditure.												
	X	X	X	X				X	X	X		
On a quarterly basis management/ the accounting officer should report on any unauthorised, irregular, fruitless and wasteful expenditure as follows:												
a. circumstances of the transgression;												
	X	X	X	X				X	X	X		
b. extent of the expenditure involved;												
	X	X	X	X				X	X	X		
c. nature and seriousness of the transgression;												
	X	X	X	X				X	X	X		
d. recovery of losses or damages; and												
	X	X	X	X				X	X	X		
e. the amounts of unauthorised, irregular, fruitless and wasteful expenditure for disclosure in the annual financial statements of the entity.												
	X	X	X	X				X	X	X		
Review and note the register of fruitless and wasteful expenditure and corrective action and any changes in controls.												
Manage available working capital efficiently and economically												
Quarterly presented by CFO to audit committee as part of management accounts - tracking key liquidity, solvency and profitability ratios etc. to be reviewed by audit committee and issues flagged for enhanced working capital management.												
	X	X	X	X				X	X	X		
Responsible for the management and safeguarding of assets, management of revenue, expenditure and liabilities of the public entity.												
	X	X	X	X				X	X	X		Audit committee to discuss
Revenue and debtors management refer above.												
Expenditure management												
There is no direct reporting responsibility on the audit committee arising from this chapter except indirectly from the delegation of authority.												
In order to facilitate proper expenditure management within the entity, the audit committee should review and recommend at least annually a delegation of authority that is appropriately set in terms of the risk and control level of the entity.												
					X			X	X	X		Consider whether there is adequate segregation of duties
Must take effective and appropriate disciplinary steps against any employee of the public entity												
Financial misconduct - this is covered in both Chapter 10 of PFMA and Chapter 4 and 33 of Treasury regulations.												
	X	X	X	X				X	X	X		
All allegations of financial misconduct must be reported, tracked and monitored on a quarterly basis by way of management reports to the audit committee.												
	X	X	X	X				X	X	X		
If there are any criminal charges being laid against any employee etc. this must be tabled at the audit committee as and when they occur and then reported to the Auditor General, relevant executive authority and relevant treasury.												
	X	X	X	X				X	X	X		

Audit Committee Planning Calendar										Public	Comment	
	Q 1	Q 2	Q 3	Q 4	Annually	Every 3 Yrs	Every 5 Yrs	National	Provincial	Public	Entities	Comment
Management must present a report to the audit committee on any changes made to the entity's systems of financial and risk management as a result of any investigations into financial misconduct.	X	X	X	X				X	X			
Approval by National Treasury for the establishment of a new entity prior to formal establishment												
Review and approve written submissions to be forwarded to the relevant Treasury on:	X	X	X	X						X		This should be a standing agenda item. The Audit Committee needs to consider the financial risk when any organ of state makes changes. The Committee should be made aware of significant transactions
a. establishment or participation in the establishment of a company;	X	X	X	X						X		
b. participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;	X	X	X	X						X		
c. acquisition or disposal of a significant shareholding in a company;	X	X	X	X						X		
d. acquisition or disposal of a significant asset;	X	X	X	X						X		
e. commencement or cessation of a significant business activity and;	X	X	X	X						X		
f. A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	X	X	X	X						X		
Annual budget and corporate plan submission to shareholder representative department:												
Corporate planning, shareholder's compact and annual budgets.					X						X	This should be an agenda item if the Audit Committee is independent from the Board.
Review and recommend annual budget and 3 year budget forecast to the Board for approval.					X						X	
Review and recommend 3 year corporate plan to the Board for approval.					X						X	
Review and recommend materiality and significance framework to the Board for approval.					X						X	
Review and recommend the 3 year borrowing plan/programme (if applicable) to the Board for approval.					X						X	
Performance monitoring:												
On a quarterly basis management must compile and report on the progress of the following for onward submission to the relevant shareholder representative department:	X	X	X	X							X	
a. Performance against the corporate plan together with mitigating actions/controls if targets are not being met;	X	X	X	X							X	
b. Performance against the budget including a forecast from the Finance office on whether the entity is on track to meet its budget and any cost containment strategies to be implemented to achieve the desired budget outcomes;	X	X	X	X							X	
c. Progress against the borrowing plan/programme including a forecast of commitments in progress but not finalised;	X	X	X	X							X	
The audit committee must review the above for recommendation to the Board for onward submission to the relevant shareholder representative department.	X	X	X	X							X	

Audit Committee Planning Calendar										Public Entities	Provincial	National	Every 5 Yrs	Every 3 Yrs	Annually	Meeting				Comment								
																Q 1	Q 2	Q 3	Q 4									
Annual report and financial statements																												
Audit committee must review draft annual report prior to submitting to National Treasury - 2 months after year end.										X												X	Audit Committee should discuss robustly and ensure that all relevant facts and figures have been truly represented. They should try to ensure that the financials are accurate and that the AG should not have to make significant adjustments when auditing the Annual Financial Statements.					
Audit committee must review final annual report and recommend approval to the Board prior to submitting to National Treasury - 5 months after year end.										X												X						
Audit committee when reviewing annual report and financial statements must at least cover the following:										X												X						
fairly present state of affairs of public entity, its business, its financial results;										X													X					
fairly present performance against predetermined objectives;										X													X					
fairly present financial position as at the end of the financial year;										X													X					
disclose any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;										X														X				
any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;										X													X					
any losses recovered or written off;										X													X					
any financial assistance received from the state and commitments made by the state on its behalf; and										X													X					
any other matters that may be prescribed.										X												X						
King III - accounting, financial statements																												
Understand how the board and external auditor evaluate materiality for integrated reporting purposes, including financial as well as sustainability reporting.															X									X				
Evaluate significant judgments and reporting decisions affecting the integrated report made by management, including changes in accounting policies, decisions requiring a major element of judgment and the clarity and the completeness of the proposed financial and sustainability disclosures.															X									X				
Obtain explanations from management on the accounting of significant or unusual transactions and consider the views of external audit.										X	X	X	X													X		
Consider all factors that may result in management presenting an incomplete or misleading picture of the company's position, performance or sustainability.															X											X		
Consider any regulatory, monitoring or enforcement actions against the entity.										X	X	X	X														X	Standing agenda item to review if required or instances requiring revision arise.
Make submissions to the board on any matter concerning the entity's:										X	X	X	X												X			
• Accounting policies										X	X	X	X												X			
• Financial control										X	X	X	X													X		
• Records										X	X	X	X													X		
• Reporting										X	X	X	X													X		

Audit Committee Planning Calendar											
	Meeting				Annually	Every 3 Yrs	Every 5 Yrs	National	Provincial	Public Entities	Comment
	Q 1	Q 2	Q 3	Q 4							
Assist the board in approving the disclosure of sustainability issues in the integrated report by ensuring that the information is reliable and that no conflicts or differences arise when compared with the financial results.					X					X	
Recommend to the board to engage an external assurance provider to provide assurance over material elements of the sustainability part of the integrated report and evaluate the independence of the credentials of the external assurance provider.					X					X	
Review all annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents.					X					X	
Review forward-looking statements of financial or sustainable information to ensure the information provides a proper appreciation of the key drivers that will enable the company to achieve the forward looking goals.					X					X	
Review a documented assessment prepared by management of the going concern status in the company.					X					X	
Receive and dealing appropriately with any concerns or complaints whether from within or outside the company, or on its own initiative, relating to:					X		X	X		X	
• The accounting practices and internal audit of the company;					X		X	X		X	
• The content or auditing of the company's financial statements;					X		X	X		X	
• The internal financial controls of the company or;					X		X	X		X	
• Any related matter.					X		X	X		X	
Consider any information that comes to its attention that brings into question and previously published financial or sustainability information, including complaints about this information. Where necessary take the steps to recommend that the company publicly correct the previously published information if it is materially incorrect.					X		X	X		X	
Consider and recommend to the board whether an external auditor should perform assurance procedures on interim results.					X					X	
Review the results of assurance procedures over interim results.					X					X	
Engage the external auditors to provide an assurance report on summarised financial information, confirming that the summarised financial information is appropriately derived from the annual financial statements.					X					X	
Finance function											
King III finance function minimum requirement of audit committee:											
Consider and be satisfied with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.					X						Annually or as and when necessary
For public entities, evaluate the suitability of the expertise and experience of the finance director/chief financial officer and recommend to the board if any changes are necessary.					X						
External audit											
Nominate for appointment as auditor of the company, a registered auditor who, in the opinion of the audit committee, is independent of the company.					X					X	
Ensure that the auditor has the necessary qualifications, expertise and resources, and is registered with the JSE (for listed companies).					X					X	
Ensure that the appointment of the auditor complies with the Companies Act and any other legislation relating to the appointment of auditors.					X					X	
Determine the fees to be paid to the external auditor and the auditor's terms of engagement, which would include consideration of the external audit plan.					X					X	

Audit Committee Planning Calendar		Meeting				Annually	Every 3 Yrs	Every 5 Yrs	National	Provincial	Public Entities	Comment
		Q 1	Q 2	Q 3	Q 4							
Review, monitor and report on the external auditor's independence and objectivity and consider audit partner rotation, ensuring that this is properly planned.					X						X	
Review the scope of the audit function and annual audit plan.					X						X	
Assess the effectiveness of the audit process.		X	X	X	X			X	X		X	
Determine the nature and extent of any non-audit services which the auditor may provide to the company, or that that auditor must not provide to the company or a related company.					X			X	X		X	
Pre-approve any proposed contract with the external auditor for the provision of non-audit services to the company.					X						X	
Receive notice of all reportable irregularities and review disclosure thereof.					X			X	X		X	
Encourage co-operation between external and internal audit, such that it optimises the combined assurance from these assurance providers.		X	X	X	X			X	X		X	
Address any disagreement on auditing or accounting matters between management and the external auditors.		X	X	X	X			X	X		X	
Meet separately with external audit (without managers being present) at least once a year.		X	X	X	X			X	X		X	
Review representation letters to be issued by management (at all levels - subsidiaries and major divisions etc.) and address any difficulties encountered.		X	X	X	X			X	X		X	
Review external auditor's annual opinion and management letters and management's response to these.					X			X	X		X	
Combined Assurance												
Monitor the appropriateness of the company's combined assurance model and ensure that significant risks facing the company are adequately addressed by the model.					X			X	X		X	
Monitor the relationship between the external assurance providers and the company.		X	X	X	X						X	
Consider the use of technology and related techniques to improve the audit coverage and audit frequency.		X	X	X	X			X	X		X	
Risk management												
Obtain an understanding of, and have an adequate level of comfort regarding, the company's processes for identifying, managing and reporting on risk by, for example, liaison with the risk committee.		X	X	X	X			X	X		X	
Oversee financial risk management and controls.		X	X	X	X			X	X		X	
Ensure that management monitors compliance with the company's code of conduct as it applies to integrated reporting and approve any amendments to the code of conduct as it applies to integrated reporting.		X	X	X	X			X	X			
Address matters that may result in material misstatements in the integrated report due to fraud.		X	X	X	X			X	X		X	
Be satisfied with IT governance and control as they relate to financial reporting and going concern.		X	X	X	X			X	X		X	
Reporting												
Prepare a report of audit committee effectiveness to the board.		X	X	X	X			X	X		X	
Prepare a report to be included in the annual financial statements for that financial year -					X			X	X		X	
• Describing how the audit committee carried out its functions;					X			X	X		X	
• Stating whether the audit committee is satisfied that the auditor was independent of the company;					X			X	X		X	
• Commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company.					X			X	X		X	

Audit Committee Planning Calendar											
	Meeting				Annually	Every 3 Yrs	Every 5 Yrs	National	Provincial	Public Entities	Comment
	Q 1	Q 2	Q 3	Q 4							
<ul style="list-style-type: none"> • A summary of the role of the audit committee; • A statement on whether or not the audit committee has adopted a formal terms of reference that have been approved by the board and if so, whether the committee satisfied its responsibilities for the year in compliance with its terms of reference; • The names and qualifications of all members of the audit committee during the period under review and members' attendance at these meetings; • The number of audit committee meetings held during the period under review and members' attendance at these meetings; • A statement on whether or not the audit committee considered and recommended the internal audit charter for approval by the board; • A description of the working relationship with the Chief Audit Executive; • Information about any other responsibilities assigned to the audit committee by the board; • A statement on whether the audit committee complied with its legal, regulatory or other responsibilities; and • A statement on whether or not the audit committee recommended the integrated report to the board for approval. 					X		X	X	X		
Meetings											
Audit committee chairman to establish meeting agenda.	X	X	X	X			X	X	X	X	
Audit committee chairman to prepare to attend AGM and answer questions on the report on the audit committee's activities and on matters within the scope of the audit committee's responsibilities.					X						As and when required.
Members											
Conduct a self-assessment of audit committee performance and report back to the board.					X		X	X	X	X	
Conduct an individual assessment of audit committee members.					X		X	X	X	X	
General											
Consult with specialists or consultants where necessary.					X		X	X	X	X	
Liaise with the other board committees where necessary.					X						
Review audit committee terms of reference and recommend to the board for approval.					X		X	X	X	X	
Perform such other oversight functions as may be determined or delegated by the board.					X						
Management to present a 3 year rolling strategy of new/revised accounting standards affecting the entity as well as a project plan for implementation of the new/revised accounting standards.					X		X	X	X	X	
Liaise with the other board committees where necessary.					X					X	
Review audit committee terms of reference and recommend to the board for approval.					X		X	X	X	X	
Perform such other oversight functions as may be determined or delegated by the board.					X						
Management to present a 3 year rolling strategy of new/revised accounting standards affecting the entity as well as a project plan for implementation of the new/revised accounting standards.					X		X	X	X	X	

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