**ANNEXURE A5**

**AUDIT COMMITTEE SELF-ASSESSMENT TOOL - PSAUC5**

**AUDIT COMMITTEE SELF-ASSESSMENT TOOL**

The Audit Committee should do a self-assessment of their performance as a committee on an annual basis. Every member of the Audit Committee should complete the self-assessment survey. The Audit Committee should summarise all responses to this survey and report the outcome to the Municipal Manager and the Council.

The assessment guide summarises key principles and practices and is provided for your use in assessing your audit committee’s performance. You may find it useful to rate the extent to which your committee complies with each statement, on a scale where:

1 = Strongly Disagree.

2 = Disagree.

3 = Neither agree nor disagree.

4 = Agree

5 = Strongly Agree.

If the practice is not being followed or if the rating is below what you consider acceptable, space is provided to note steps that the committee should take to implement the practice or raise its performance.

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| **1** | **Charter Evaluation** |
| The Audit Committee has: |
| 1.1 | Adequate terms of reference approved by the Council, which include:* Constitution
* Function
* Membership
* Duties
* Meetings and procedures
* Reporting
* Authority
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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| 1.2 | Reviewed the terms of reference annually and recommended any necessary changes to Council |  |  |  |  |
| 1.3 | Carried out all its responsibilities outlined in its terms of reference |  |  |  |  |
| 1.4 | Regularly evaluated the performance of the committee as a whole, as well as the performance of individual members and has taken decisive corrective action where necessary |  |  |  |  |
| **2** | **Composition** |
| The Audit Committee: |
| 2.1 | Consists of at least three independent members |  |  |  |  |
| 2.2 | Is an appropriate size, bringing requisite knowledge, abilities and skills to the table in a group small enough to act cohesively |  |  |  |  |
| 2.3 | Does not have the Accounting Officer serving as a member |  |  |  |  |
| 2.4 | Has a sufficiently independent voice in no way beholden to the chairman or chief executive of the company, and is consistently ready to challenge the management team constructively |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| 2.5 | Collectively has an understanding of:* Internal financial controls
* External audit process
* Internal audit process
* Corporate law and governance
* Risk management
* Sustainability issues
* IT governance as it relates to financial reporting
* Governance processes within the Municipality/Municipal Entity
* GRAP Standards / guidelines and any other applicable financial or sustainability reporting standards,
* regulations or guidelines
 |  |  |  |  |
| 2.6 | Members display attributes such as integrity, judgement, credibility, trustworthiness, intuition, industry knowledge, willingness to handle conflict actively, communication,decision-making and people skills |  |  |  |  |
| 2.7 | Ensure that any terms beyond six years (e.g.two three-year terms) have been subject to a rigorous independence review by the Council |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| **3** | **Training and Resources** |
| The Audit Committee has: |
| 3.1 | Collectively kept up to date with keydevelopments that affect its required skills set |  |  |  |  |
| 3.2 | A formal induction process in place for newmembers of the committee |  |  |  |  |
| 3.3 | Ensured that there is a process in place for all members to be trained and updated on current financial developments and reporting requirements and other issues relevant to the Municipality/Municipal Entity |  |  |  |  |
| 3.4 | Access to the services of the Municipality / Municipal Entity Staff |  |  |  |  |
| **4** | **Meetings** |
| The Audit Committee has: |
| 4.1 | Held a sufficient number of meetings,scheduled at appropriate times to address its responsibilities |  |  |  |  |
| 4.2 | Allocated reasonable time for meetings toaccomplish its agenda |  |  |  |  |
| 4.3 | Had regular attendance at meetings |  |  |  |  |
| 4.4 | Ensured that the right individuals attended asinvitees, particularly those with meaningful input on agenda items |  |  |  |  |
| 4.5 | Met at least once a year with the external andinternal auditors without management being present |  |  |  |  |
| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| 4.6 | Established meeting agendas and circulated background information through itsChairperson |  |  |  |  |
| 4.7 | Considered the need to meet before and/or after each regular Audit Committee meeting in an in-committee session, without invitees being present  |  |  |  |  |
| 4.8 | Ensured that minutes and other meetingdocumentation were accurate and distributed timeously |  |  |  |  |
| **5** | **Combined Assurance** |
| The Audit Committee has: |
| 5.1 | Monitored the appropriateness of the Municipality’s /Municipal Entity’s combined assurance model and ensured that significant risks facing the company are adequatelyaddressed |  |  |  |  |
| 5.2 | Monitored the relationship between theexternal assurance providers and the Municipality /Municipal Entity |  |  |  |  |
| 5.3 | Considered the use of technology and relatedtechniques to improve audit coverage and audit efficiency |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| **6** | **Risk Governance Oversight** |
| The Audit Committee has: |
| 6.1 | Representation, preferably the AuditCommittee Chairperson, on the risk committee |  |  |  |  |
| 6.2 | Obtained an understanding of, and had an adequate level of comfort regarding, the Municipality / Municipal Entity’s processes for identifying, managing and reporting on risk by, for example, liaising with the risk committee |   |  |  |  |
| 6.3 | Overseen financial r isk management and controls |  |  |  |  |
| 6.4 | Evaluated the nature and extent of the formaldocumented review of internal financial controls performed by internal audit |  |  |  |  |
| 6.5 | Reviewed the items reported through arrangements made by the Municipality / Municipal Entity to enable employees and outside whistle-blowers to report in confidence their concerns about possible improprieties in matters of financial and sustainability reporting, or noncompliance with laws and regulations that may have a direct or indirecteffect on financial reporting |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| 6.6 | Ensured that management monitors compliance with the code of conduct and approves any amendments to the code of conduct as it applies to financial reporting |  |  |  |  |
| 6.7 | Addressed matters that may result in material misstatements in the financial report due to fraud |  |  |  |  |
| 6.8 | Been satisfied with IT as it relates to financial reporting and the going concern assumption |  |  |  |  |
| 6.9 | In its review of the entity’s code of conduct, considered the ethical stance of the entity as demonstrated by the Council / Board |  |  |  |  |
| 6.10 | Obtained feedback from the Chief Risk Officer and the Risk Committee Chairperson on any matters which potentially impact on or arerelated to the responsibilities of the committee |  |  |  |  |
| **7** | **Internal Audit** |
| The Audit Committee has: |
| 7.1 | Been responsible for the appointment,performance assessment and dismissal of the Chief Audit Executive |  |  |  |  |
| 7.2 | Approved the internal audit plan |  |  |  |  |
| 7.3 | Considered and recommended the internalaudit charter for approval by the Council |  |  |  |  |
| 7.4 | Overseen the appropriateness of the staffing, budgets and objectives of the internal auditfunction |  |  |  |  |
| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| 7.5 | Encouraged co-operation between external and internal audit, such that the committee optimises the combined assurance from theseassurance providers |  |  |  |  |
| 7.6 | Ensured that the internal audit function is subjected to an independent quality review |  |  |  |  |
| 7.7 | Evaluated the performance of the internal audit function to ensure that the function is fulfilling its responsibility to assist and advisethe audit committee and the Council |  |  |  |  |
| 7.8 | Ensured that the internal audit function is independent and has the necessary resources, budget, standing and authority within the Municipality / Municipal Entity toenable it to discharge its functions |  |  |  |  |
| 7.9 | Obtained feedback from internal audit at all audit committee meetings |  |  |  |  |
| 7.10 | Met with internal audit at least once perannum, separately from management |  |  |  |  |
| 7.11 | Reviewed arrangements made by the company to enable employees and outside whistle-blowers 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 indirecteffect on financial reporting |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| 7.12 | Been satisfied with the competence andindependence of an outsourced internal auditprovider (if applicable) |  |  |  |  |
| 7.13 | Adequately managed its relationship with theinternal audit function, particularly the Chief Audit Executive |  |  |  |  |
| **8** | **External Audit** |
| The Audit Committee has: |
| 8.1 | Ensured that the external auditor has thenecessary qualifications, expertise and resources |  |  |  |  |
| 8.2 | Assessed the quality and effectiveness of theaudit process |  |  |  |  |
| 8.3 | Determined the fees to be paid to the externalauditor and the auditor’s terms of engagement |  |  |  |  |
| 8.4 | Determined the nature and extent of any non- audit services which the auditor may provide to the company, or that the auditor may notprovide to the Municipality / Municipal Entity |  |  |  |  |
| 8.5 | Pre-approved all agreements with the externalauditor for non-audit services to the Municipality / Municipal Entity |  |  |  |  |
| 8.6 | Received notice of all reportable irregularitiesand reviewed disclosure |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
| 8.7 | Addressed any disagreement on auditing oraccounting matters between managementand the external auditors |  |  |  |  |
| 8.8 | Met separately with external audit (withoutmanagement being present) where necessary, at least once a year |  |  |  |  |
| 8.9 | Reviewed representation letters issued by management and addressed any difficultiesencountered |  |  |  |  |
| 8.10 | Reviewed the scope of the audit function andannual audit plan |  |  |  |  |
| 8.11 | Reviewed the external auditor’s annualopinion and management letters and management’s response thereto |  |  |  |  |
| 8.12 | Adequately managed its relationship withexternal audit |  |  |  |  |
| **9** | **Accounting and Financial Statements** |
| The Audit Committee has: |
| 9.1 | Received and dealt appropriately with any concerns or complaints, whether from within or outside the Municipality / Municipal Entity, or on its own initiative, relating to:* the accounting practices and internal

audit of the Municipality / Municipal Entity; |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
|  | * the content or auditing of the

Municipality’s / Municipal Entity’s financial statements;* the internal financial controls of the Municipality / Municipal Entity;
* any related matter
 |  |  |  |  |
| 9.2 | Made submissions to the Council / Board on any matter concerning the Municipality’s / Municipal Entity’s accounting policies,financial control, records and reporting |  |  |  |  |
| 9.3 | Obtained explanations from management on the accounting of significant or unusual transactions and has considered the views ofexternal audit |  |  |  |  |
| 9.4 | Considered all the factors that may have resulted in management presenting an incomplete or misleading picture of the Municipality’s / Municipal Entity’s position,performance or sustainability |  |  |  |  |
| 9.5 | Evaluated significant judgments and reporting decisions affecting the financial report made by management, including changes in accounting policies, decisions requiring amajor element of judgment and the clarity and |  |  |  |  |

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| **#** | **Key principles and practices of an****effective audit committee** | **Yes/****No** | **Score****(1-5)** | **Comment for “No”****Answers** | **Follow-up Steps Required** |
|  | completeness of the proposed financial andsustainability disclosures |  |  |  |  |
| 9.6 | Understood how the Council and externalauditor evaluated materiality for integrated reporting purposes |  |  |  |  |
| 9.7 | Considered any regulatory, monitoring orenforcement actions against the Municipality / Municipal Entity |  |  |  |  |
| 9.8 | Considered any evidence that came to its attention that brought into question any previously published financial information, including complaints about this information.Where necessary, has taken steps to ensure that the Municipality / Municipal Entity publicly correct the previously published information ifit was materially incorrect |  |  |  |  |
| 9.9 | Reviewed all annual financial statements |  |  |  |  |
| 9.10 | Reviewed a documented assessment (and underlying assumptions) prepared by management of the going concern status ofthe Municipality / Municipal Entity |  |  |  |  |
| 9.11 | Considered and recommended to the board whether an external auditor should performassurance procedures on interim results |  |  |  |  |

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| 9.12 | Considered the financial reportingrequirements applicable to Regulators |  |  |  |  |
| **10** | **Finance Function** |
| The Audit Committee has: |
| 10.1 | Considered and satisfied itself 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 financialfunction |  |  |  |  |
| 10.2 | Maintained a good relationship with the CFO |  |  |  |  |
| **11** | **General** |
| The Audit Committee has: |
| 11.1 | Considered whether there are emerging issues that will demand its attention going forward and is proactive in positioning itself todeal with them |  |  |  |  |
| 11.2 | Consulted with specialists where necessary |  |  |  |  |