**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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| **3** | **Training and Resources** | | | | |
| The Audit Committee has: | | | | | |
| 3.1 | Collectively kept up to date with key  developments that affect its required skills set |  |  |  |  |
| 3.2 | A formal induction process in place for new  members 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 to  accomplish its agenda |  |  |  |  |
| 4.3 | Had regular attendance at meetings |  |  |  |  |
| 4.4 | Ensured that the right individuals attended as  invitees, particularly those with meaningful input on agenda items |  |  |  |  |
| 4.5 | Met at least once a year with the external and  internal 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 its  Chairperson |  |  |  |  |
| 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 meeting  documentation 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 adequately  addressed |  |  |  |  |
| 5.2 | Monitored the relationship between the  external assurance providers and the Municipality /Municipal Entity |  |  |  |  |
| 5.3 | Considered the use of technology and related  techniques to improve audit coverage and audit efficiency |  |  |  |  |

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| **6** | **Risk Governance Oversight** | | | | |
| The Audit Committee has: | | | | | |
| 6.1 | Representation, preferably the Audit  Committee 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 formal  documented 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 indirect  effect on financial reporting |  |  |  |  |

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| 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 are  related 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 internal  audit charter for approval by the Council |  |  |  |  |
| 7.4 | Overseen the appropriateness of the staffing, budgets and objectives of the internal audit  function |  |  |  |  |
| **#** | **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 these  assurance 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 advise  the 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 to  enable 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 per  annum, 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 indirect  effect on financial reporting |  |  |  |  |

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| 7.12 | Been satisfied with the competence and  independence of an outsourced internal audit  provider (if applicable) |  |  |  |  |
| 7.13 | Adequately managed its relationship with the  internal audit function, particularly the Chief Audit Executive |  |  |  |  |
| **8** | **External Audit** | | | | |
| The Audit Committee has: | | | | | |
| 8.1 | Ensured that the external auditor has the  necessary qualifications, expertise and resources |  |  |  |  |
| 8.2 | Assessed the quality and effectiveness of the  audit process |  |  |  |  |
| 8.3 | Determined the fees to be paid to the external  auditor 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 not  provide to the Municipality / Municipal Entity |  |  |  |  |
| 8.5 | Pre-approved all agreements with the external  auditor for non-audit services to the Municipality / Municipal Entity |  |  |  |  |
| 8.6 | Received notice of all reportable irregularities  and reviewed disclosure |  |  |  |  |

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| 8.7 | Addressed any disagreement on auditing or  accounting matters between management  and the external auditors |  |  |  |  |
| 8.8 | Met separately with external audit (without  management being present) where necessary, at least once a year |  |  |  |  |
| 8.9 | Reviewed representation letters issued by management and addressed any difficulties  encountered |  |  |  |  |
| 8.10 | Reviewed the scope of the audit function and  annual audit plan |  |  |  |  |
| 8.11 | Reviewed the external auditor’s annual  opinion and management letters and management’s response thereto |  |  |  |  |
| 8.12 | Adequately managed its relationship with  external 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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|  | * 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 of  external 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 a  major element of judgment and the clarity and |  |  |  |  |

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|  | completeness of the proposed financial and  sustainability disclosures |  |  |  |  |
| 9.6 | Understood how the Council and external  auditor evaluated materiality for integrated reporting purposes |  |  |  |  |
| 9.7 | Considered any regulatory, monitoring or  enforcement 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 if  it 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 of  the Municipality / Municipal Entity |  |  |  |  |
| 9.11 | Considered and recommended to the board whether an external auditor should perform  assurance procedures on interim results |  |  |  |  |

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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** |
| 9.12 | Considered the financial reporting  requirements 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 financial  function |  |  |  |  |
| 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 to  deal with them |  |  |  |  |
| 11.2 | Consulted with specialists where necessary |  |  |  |  |