



**WESTERN CAPE
NATURE CONSERVATION BOARD**

POLICY DOCUMENT CONTROL

SECTION: OFFICE OF THE CHIEF FINANCIAL OFFICER

SUBJECT: AUDIT, FINANCE AND ICT COMMITTEE
CHARTER

POLICY NUMBER:

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REVIEWED BY: CHIEF RISK OFFICER

A handwritten signature in black ink, appearing to be "R. van der Merwe", written over a horizontal line.

**RECOMMENDED BY
EXECUTIVE**

DATE: _____

APPROVED BY BOARD

DATE: _____

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1. INTRODUCTION

- 1.1 Governance embodies processes, policies, systems, laws and regulations by which organisations are strategically directed, governed and held to account.
- 1.2 The King III Report on Corporate Governance requires boards and management to publicly confirm that they have reviewed the effectiveness of risk management and internal control, ensured that Information and Communication Technology (ICT) is aligned with business objectives and sustainability, ensured the integrity of financial reporting and have implemented systems essential for the effective discharge of their responsibilities.
- 1.3 Section 51(a)(i) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended (PFMA), requires the Accounting Authority for a public entity to have and maintain effective, efficient and transparent systems of financial and risk management and internal control.
- 1.4 Section 51(a)(ii) of the PFMA further requires the Accounting Authority for a public entity to have and maintain a system of internal audit under the control and direction of an Audit Committee.
- 1.5 In terms of Section 77 (Liability of Directors and Prescribed Officers) of the Companies Act, 2008 (Act No.71 of 2008), independent members and non-executive members of Board Committees carry the same fiduciary responsibility as Executive Directors.
- 1.6 The Western Cape Nature Conservation Board, hereafter referred to as the "Board" and "CapeNature", hereby details the manner in which the Audit Committee (the Committee) will operate in terms of the Western Cape Nature Conservation Board Act, 1998 (Act No. 15 of 1998) as amended, and the requirements of all relevant laws and regulations including the PFMA, Companies Act, Treasury regulations and instructions.

2. PURPOSE

- 2.1 The Committee is constituted as a Committee of the Board to assist the Board in fulfilling its governance and oversight responsibilities as it relates to the system of risk, internal audit, financial management and ICT related matters including research and innovation investments, internal control and statutory compliance.
- 2.2 Oversight is the independent, watchful, strategic and structured scrutiny of an organisation's compliance with policies, procedures, laws and regulations and the review, monitoring and reporting on the effectiveness of internal controls, Information Technology and system security, the accuracy of financial reporting, management performance and the protection of assets.

2.3 Oversight does not imply the sharing of responsibility or accountability or the participation in any decision making that would otherwise be the sole responsibility of the Board.

3. AUTHORITY

3.1 The Board authorises the Committee to fulfil its roles and responsibilities as set out in this Charter.

3.2 In so doing, the Committee is authorised to:

- Assess and analyse any risk and/ or governance related matters pertaining to CapeNature;
- Request members of Management or any other official in the employ of CapeNature to attend meetings and to provide advice and/or information;
- Seek any information it requires from external parties and obtain outside legal or other independent professional advice;
- Secure the attendance of any person with relevant experience and expertise if necessary;
- Ensure that any appointments for the purposes of requesting information from any external party, obtaining independent professional advice and/ or attendance shall be made subject to normal tender and procurement procedures; and
- Facilitate investigations into any matter within the scope of its responsibility.

4. COMMITTEE STRUCTURE AND MEMBERSHIP

4.1 The Committee shall comprise of a minimum of 3 members, with at least a third of the members being independent members i.e. persons who are not currently holding an executive or non-executive position within CapeNature.

4.2 The following conditions apply to the appointment of the members:

- All members shall be appointed and /or replaced by the Board;
- In consultation with members of the Committee, the Board Chairperson shall consider the position of the Chairperson on an annual basis;
- The position of Committee Chairperson could be subject to annual review by the Board based on the outcome of the annual performance assessment;

- The Chairperson may be re-elected;
- The Chairperson of the Committee cannot be a member of Executive Management or a political office bearer;
- The Chairperson of the Board shall be an ex officio member of the Committee;
- Independent members may serve a maximum of two (2) terms of three (3) years each. This will be determined from the date on which the member assumes duty and in accordance with the terms and conditions of their appointment;
- Committee members shall be appointed for a specified period and shall receive remuneration for their services as prescribed;
- Non-executive member appointments to the Committee shall expire on termination of their Board appointments;
- Members should have extensive business knowledge and experience in one or more areas of general, financial or risk management, auditing, legal, human resource or information and communication technology disciplines;
- As part of proceedings for each Committee meeting members must declare any conflict of interest they may have in any matters on the agenda resulting from any CapeNature business, relationship and/ or engagement and recuse themselves from any related deliberations;
- Members are not allowed to engage in any direct business transactions and dealings with CapeNature;
- Periodic rotation of members are encouraged, however, no more than two non-executive members should retire as members of the Committee for the purposes of rotation in any one year;
- Wherever possible, members' appointments shall be planned for staggered rotation within the periods of appointment as Board members;
- The Chief Executive Officer, Chief Financial Officer, Executive Director: Corporate Services, Chief Risk Officer, a representative of the appointed Internal Auditors, a representative of the Auditor-General and a representative of the Department of Environmental Affairs and Development Planning will be standing invitees to all Committee proceedings and deliberations;
- The Board must concur with any premature termination of service of any member of the Committee; and

- The composition of the Committee could be subject to annual review by the Board based on the outcome of the annual performance assessment.

5. MEETINGS

- 5.1 The Committee will meet on a quarterly basis or more frequently as the need may arise.
- 5.2 The quorum for all meetings will be 50 percent (%) plus one (1).
- 5.3 The Committee can invite other parties to attend meetings. Invited parties shall be provided the opportunity to participate in Committee discussions but shall have no voting rights and will attend the meeting for the appropriate agenda item(s) only.
- 5.4 The Chief Audit Executive (in the case of an outsourced Internal Audit function this position will be held by the appointed senior partner) shall have unrestricted access to the Chairperson and other members of the Committee. Any matters discussed outside formal meetings must be tabled and minuted at the next meeting of the Committee.
- 5.5 Other than for emergency and ad hoc meetings, members will be provided with documentation appropriate to the agenda at least seven (7) calendar days prior to the meeting.
- 5.6 The proceedings for all meetings shall be minuted by the Board Secretary. Draft minutes will be distributed to all members within ten (10) calendar days after the meeting.
- 5.7 Minutes shall be approved by the members of the Committee and signed by the Chairperson at the next meeting.
- 5.8 Special meetings of the Committee may be convened as required. Any member of the Committee may call a special meeting provided that it is convened in consultation with or through the Chairperson. Special meetings will be confirmed seven (7) calendar days prior to the date of the meeting.

6. GENERAL ROLES AND RESPONSIBILITIES

- 6.1 The Committee shall:
 - Provide independent counsel, advice and direction in respect of risk management and internal control;
 - Review the quarterly financial and management accounts and report on significant matters to the Board;

- Review the year-end management accounts for consistency with the annual financial statements;
- Review and approve the ICT strategy and architecture;
- Conduct an oversight role in respect of all major ICT projects;
- Review all Board approved ICT projects and monitor implementation thereof;
- Consider any matters relating to the identification, assessment, monitoring and management of risks associated with the operations of CapeNature;
- Review quarterly and other periodic reports and recommendations submitted by Management, Internal Audit and the Auditor-General;
- Discuss with Management their response to audit findings, identified risks and their agreed actions to improve internal control;
- Review with Management the Auditor-General's Report and Management Letter; and
- Add value to CapeNature's business by carrying out its oversight role and proposing ongoing improvements to internal control and risk management.

6.2 **SPECIFIC RESPONSIBILITIES**

6.2.1 **Internal Audit**

The Committee shall:

- Make recommendations to the Board regarding the appointment and/ or removal of the Chief Audit Executive (Refer to Clause 5.4 above for a definition of this position);
- Recommend the approval of the Internal Audit Charter and any update thereto to the Board;
- Review and approve the content and scope of the strategic and annual operational internal audit plan including any division of audit areas with the Auditor-General. All audit work shall be based on risk assessments provided by the Chief Risk Officer, internal and external audit;
- Review with Management, the concerns identified in the quarterly internal audit and annual external audit reports;

- Regularly review the scope, skills, resources provided and effectiveness of Internal Audit, including an assessment of their performance in the context of the organisation's overall internal controls and risk management systems;
- Ensure Internal Audit's long term goals are designed to improve good governance and promote a healthy Internal Control Environment and "tone at the top";
- Maintain, or cause to be maintained, a matrix of audit findings which shall be tabled and discussed at each meeting together with the risk repository; and
- Promote Professional Development and Quality Assurance programs with respect to the internal audit function.

6.2.2 Financial Management

The Committee shall:

- Consider and review the annual budget and recommend approval of the annual budget to the Board;
- Consider and review any special expenditure or any initiative with financial implications not included in the annual budget and once satisfied, recommend such expenditure or initiative to the Board;
- Review and recommend the Delegations of Authority;
- Monitor financial performance against the approved budget;
- Monitor corrective measures to ensure expenditure is managed within the budget and other financial targets;
- Confirm through Management that adequate structures and capacity are in place within the Finance component to maintain adequate segregation of duties, effective internal controls, safeguarding of assets and regular and timeous production of accurate and reliable financial information;
- Review the scope and terms of the insurance portfolio and levels of cover on an annual basis; and
- Review and recommend relevant policies to the Board.

6.2.3 Risk Management

The Committee shall:

- Be provided with quarterly feedback from the Risk Committee based on:
 - Discussions, deliberations and decisions taken at the quarterly Risk Committee meeting;
 - Updates related to any of the Board Committee Charters; and
 - Updates to the risk profile based on reports provided by Internal Audit.

6.2.4 Fraud Prevention

The Committee shall:

- Confirm through Management that a Board approved Fraud Prevention Policy is implemented and that a Whistleblower facility is operational and available to staff and others;
- Receive feedback on any remedial actions taken through any disciplinary processes and procedures in the event of any fraud related matter; and
- Review the Fraud Prevention Policy at least every two (2) years or as and when required and recommend the Policy for approval by the Board.

6.2.5 Auditor-General (AG)

The Committee shall:

- Engage with the AG and with Management on the proposed timing of AG audits and communication of the audit results;
- Make recommendations to the Board on the acceptance of the terms of the AG's annual engagement letter for the regularity audit;
- Engage with the AG and with Management on the acceptance of the regularity audit plan and the audit fee;
- Engage with the AG on the materiality level, the key risk areas, the audit focus, audit procedures, locations to be visited and the names and responsibilities of the members of the audit team, including any outsourced team members and make recommendations to the Board;

- Make recommendations to the Board in agreeing proposed and final AG audit fees; and
- At all times protect the independence of the external and internal audit functions.

6.2.6 **Annual Financial Statements**

The Committee shall:

- Ensure that the Annual Financial Statements fairly reflect the financial affairs of the organisation, in accordance with, and in the manner prescribed by Generally Recognised Accounting Standards (GRAP) and other statutory requirements; and
- Recommend to the Board the draft financial statements for audit by the AG.

6.2.7 **Information and Communication Technology (ICT)**

The Committee shall:

- Review and monitor the ICT strategy, including relevant projects and related technology investment decisions;
- Confirm through Management that business priorities are translated into relevant information management in support of ICT investment decisions;
- Regularly review the total cost of ICT activities to the organisation and monitor such costs on an ongoing basis;
- Confirm that a clear and concise IT Governance framework is in place at all times;
- Ensure the ICT Manager and Internal Audit regularly report on the status of the IT environment, information back ups, change controls, physical and logical access and list network violations; and
- Review reports at least annually on the status of the Disaster Recovery and Business Continuity Plan and the results of tests carried out thereon.

6.2.8 Performance Information

The Committee shall:

- Confirm through Management that the performance information reflects the organisation's mandate, strategic goals and objectives, as documented in the Strategic and Annual Performance Plan;
- Review whether performance reporting and information are based on appropriate targets and benchmarks and monitor progress on a quarterly basis;
- Confirm through Management the existence of a structured performance management framework linked to organisational objectives, performance measures and outcomes;
- Review and report on any significant deviation from set targets to the Board; and
- Review and where appropriate report to the Board on the content of the Strategic and the Annual Performance Plans.

6.2.9 Legal

The Committee shall:

- Be kept informed at quarterly meetings of changes regarding compliance to legislation, regulations and policies;
- Comply with all laws and regulations pertaining to its mandate; and
- Monitor the organisation's compliance with relevant laws and regulations.

6.2.10 General

The Committee shall have a duty to:

- Understand the business of CapeNature;
- Adhere and abide to the organisation's Code of Conduct, which acts as a guideline in determining minimum ethical standards and values;
- Sign the Declaration of Conflict forms at each meeting of the Committee;
- Annually complete self-assessment and Committee performance questionnaires;

- Attend periodic training sessions to update their knowledge and improve their performance; and
- Safeguard and maintain the confidentiality of all information pertaining to the operations of CapeNature.

6.2.11 Other Matters

The Committee will consider the following additional matters in the execution of its roles and responsibilities:

Forensic Audits

- Investigations of a forensic nature shall be undertaken by professional Forensic Audit services contracted by CapeNature;
- The Committee shall review forensic reports submitted and shall monitor actions taken by the complainant; and
- The Committee shall report on significant forensic developments to the Board.

Policies and Procedures

- The Committee shall confirm through Management that all policies and procedures are up to date and available to staff at all times.

Non-Audit services

- The Committee shall approve and submit to the Board any request for non-audit services. The Audit Committee to ensure that Internal Audit remain independent.

7. REPORTING AND COMMUNICATION

- 7.1 The Committee shall provide an open avenue of communication between the Committee, the internal and external auditors, Management and the Board.
- 7.2 The Chairperson or his/her representative may be requested to attend Board meetings.
- 7.3 The Chairperson of the Committee will provide a report to the Board detailing a summary of actions, deliberations and recommendations for the quarter.

7.4 The Chairperson of the Committee will compile a report for inclusion in the Annual Report on aspects of audit, risk and governance processes, the effectiveness of internal control, the quality of management reports and the Committee's opinion on the Annual Financial Statements.

8. COMMITTEE ADMINISTRATION

8.1 The Board Secretary shall be functionally responsible to the Committee and provide administrative support services including:

- Arranging of meetings;
- Drafting of agendas;
- Distribution of information packs prior to the meetings;
- Taking minutes at all meetings;
- Listing and updating Action Lists for members, attendees and Management; and
- File attendance registers and Declaration of Interest forms signed by members, minutes, self-assessment and Committee performance questionnaires and other documentation.

8.2 Meeting agendas and information packs shall be sent to members electronically at least seven (7) calendar days prior to any Committee meeting.

9. PERFORMANCE ASSESSMENT

9.1 The Board will conduct an annual performance assessment of the Committee. The assessment will be conducted during the first quarter of the new financial year and cover the preceding financial year.

10. REVIEW

10.1 The Committee will review its Charter as and when required and recommend the Charter for approval to the Board.