



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

AUDIT COMMITTEE CHARTER

2024/25

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Reference:

- Section 38(1)(a)(ii) and 77 of the PFMA (Act 1 of 1999 as amended by Act 29 of 1999).
- Treasury Regulations
- The Institute of Internal Auditors South Africa
- International Standards for the Professional Practice of Internal Auditing;
- The National Treasury Internal Audit Framework; and
- Provincial Treasury Guidelines.

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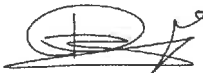



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1. INTRODUCTION

There is increasing pressure for public officials to demonstrate a high level of accountability over the use of public funds which ensure a high quality of services through effective governance, and more specifically, through the establishment of effective Audit Committees.

- 1.1 The Audit Committee is vital to, amongst other things, review the integrity of integrated reporting and internal financial and performance controls and identification and management of financial risk.
- 1.2 The Public Finance Management Act (PFMA) has made it compulsory for all National and Provincial Government Departments as well as Public Entities to set up Audit Committees.
- 1.3 The Audit Committee of the Department is established and is independently constituted in terms of section 38(1)(a)(ii) and 77 of the PFMA (Act 1 of 1999 as amended by Act 29 of 1999) and read in conjunction with paragraphs 3.1 to 3.1.16 of the Treasury Regulations.
- 1.4 The Audit Committee is constituted as statutory committees of the Department Cooperative Governance and Traditional Affairs to fulfil its statutory duties in terms of section 77 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) and Treasury Regulations issued in terms of the PFMA and the duties assigned to it.
- 1.5 The Audit Committee forms a forum for discussing business risk and internal control system issues for developing relevant recommendations for consideration by the Head of Department/Accounting Officer. It is therefore constituted in terms of the requirements of sound corporate governance practices and operates within that framework and should not perform any management functions or assume any management responsibilities. It will make recommendations to the Head of Department for her/his approval or final decision to implement.

2. VISION

To be an effective Audit Committee focused on value creation.

3. MISSION

To contribute to the oversight function of the design and implementation of effective corporate governance encompassing: integrated reporting, financial management, risk management and internal controls with a view of achieving quality service delivery.

4. STRATEGIC OBJECTIVES

To ensure:

- 4.1 Availability of an adequately resourced, functional and sustained Internal Audit function;
- 4.2 A sound relationship with all Assurance Providers, Oversight Structures and other stakeholders;

- 4.3 Effective Internal and External audit processes;
- 4.4 Promotion of sound functional interaction between the Internal Audit and other Assurance Providers;
- 4.5 That there is adequate and effective Corporate Governance, encompassing Fraud and Risk Management, Information Technology, Internal Control, Financial Management and reporting systems;
- 4.6 That Accounting Officer is fully supported in fulfilling his/her responsibilities in terms of PFMA;
- 4.7 Accountability in terms of Financial Management, Performance Information, effective service delivery; and
- 4.8 Compliance with relevant laws and regulations.

5. VALUES

- 5.1 Independence
- 5.2 Commitment
- 5.3 Professionalism
- 5.4 Integrity
- 5.5 Transparency and openness
- 5.6 Fairness and objectivity

6. AUTHORITY OF THE AUDIT COMMITTEE

- 6.1 The Audit Committee is hereby authorised to perform the function as described in this charter. In carrying out this mandate the Audit Committee is authorised to have full, free and unrestricted access to all the Department's activities, records, property and staff.
- 6.2 The purpose of the Audit Committee is to fulfil their oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the department's process for monitoring compliance with laws and regulations and the code of conduct. It is also responsible for monitoring governance and risk management processes.
- 6.3 The Audit Committee shall not perform any management functions or assume any management responsibilities. It shall provide an oversight role for controls, governance and risk management and make recommendations to the Accounting Officer on any correction considered necessary. The membership, resources, responsibilities and authorities (composition, functions and operation) of the Committee to perform its role effectively, is stipulated in this audit committee charter.
- 6.4 The Audit Committee may obtain outside legal or other independent professional advice and secure the services of outsiders with relevant experience and expertise if it considers this necessary. Any such appointments should be made subject to the approval of the Accounting Officer.

7. STATUS OF THE AUDIT COMMITTEE

- 7.1 The Audit Committee has non-executive status and acts in a review and advisory capacity to the Accounting Officer and Executive Authority.
- 7.2 Under no circumstances will the Audit Committee have executive powers with regard to its findings and recommendations on any operational aspects of the management and control of the Department.
- 7.3 The powers of the Audit Committee shall not be limited or restricted, which would prevent it from properly performing its mandated duties.
- 7.4 The Audit Committee shall have unrestricted access to records and employees to obtain any information needed to perform its duties.

8. COMPOSITION OF THE AUDIT COMMITTEE

8.1 Membership

The Audit Committee Members shall consist of a maximum of 5 (five) members constituted as follows:

- 8.1.1 The members shall be professionals of appropriate competency and not in the employ of the Department.
- 8.1.2 The Audit committee shall serve for a period of 3 years from the date of their appointment as AC members, subject to renewal at the discretion of the MEC and as per the Provincial Treasury Practice Notes where a member of the committee may not serve on the same department for a period exceeding six (6) years
- 8.1.3 Any member may terminate his/her services by giving three month's written notice.
- 8.1.4 The Executive Authority (MEC) must concur with any premature termination of the services of a person serving on the Committee.
- 8.1.5 The Audit Committee must be constituted so as to ensure the independence of all members and their membership must be disclosed in the annual report of the department.
- 8.1.6 Should any member of the Audit Committee be in a position that will materially compromise his/her independence, such member must resign from the Audit Committee.
- 8.1.7 All members appointed to the Audit Committee must enter into contract with the Executive Authority.

9. INDUCTION OF MEMBERS

The Audit Committee members will attend a formal process of induction which will provide members with sufficient briefings and information to understand their responsibilities and management expectations about their role and performance.

10. AUDIT COMMITTEE MEETINGS

- 10.1 The following persons have standing invitations to all regular Audit Committee meetings:
 - I. The Accounting Officer – Head of Department
 - II. The Head of Internal Audit – Chief Audit Executive
 - III. Senior Manager: Risk Management Unit - Chief Risk Officer
 - IV. Head of Security, Anti-Fraud and Corruption Unit
 - V. Strategic Management

- VI. Monitoring & Evaluation
- VII. Legal Services
- VIII. Information Technology (DGITO)
- IX. The Chief Finance Officer
- X. The Deputy Director Generals
- XI. General Managers
- XII. Senior Managers that were audited during the period under review
- XIII. An invitee from the Office of the Auditor-General
- XIV. An invitee from Provincial Treasury Transversal unit and also Planning and Governance: (Norms and Standards); and
- XV. Any other officer(s) Accounting Officer wishes to invite.
- XVI. The Audit Committee may also invite such other persons, as it deems necessary.
- XVII. **During the National State of Disaster, to minimise the spread of the virus and to adopt the efficiencies of the new normal the department is leveraging on technology and is encouraged to utilise virtual platforms for Audit Committee meetings. All SMS members are required to attend these meetings.**

In terms of section 77 of the PFMA, the Audit Committee must meet at least quarterly and any special meeting(s) that may be called by the Accounting Officer or any member of the Audit Committee through the chairperson.

In terms of the resolution taken by the Audit Committee Chairperson's Forum (ACCF), the Audit Committee shall meet twice with the Member of the Executive Council (MEC).

The Audit Committee Chairperson might be required to attend other oversight committee such as SCOPA and Portfolio committee when the need arises.

11. MEETING PROCEDURES

- 11.1 The Audit Committee will meet at least four (4) times per annum. Further to this, there will be annual special meetings which are as follows (Approval of IA Plans and Charters, Review of AFS and Annual Report and Meeting with the MEC)
- 11.2 Before commencement of any meeting all audit committee members are requested to sign a declaration of interest document.
- 11.3 Adequate notice in writing must be given to all members of the audit committee and other interested persons, of each meeting to be held. A schedule of approved Audit Committee meetings will be circulated annually by the secretariat in consultation with the Chief Audit Executive (CAE).
- 11.4 Should a member not attend three consecutive ordinary meetings within a financial year, the Accounting Officer has a right to terminate the membership of such a member in concurrence with the Executive Authority of the department.

12. QUORUM

- 12.1 A quorum for the Audit Committee shall consist of at least three members of which at least two shall be members from outside the public service.
 - 12.1.1 In the absence of committee's Chairperson, the members shall nominate amongst themselves an acting Chairperson to chair the meeting who will be compensated at the ruling Chairperson's rate.

13. RESPONSIBILITY FOR THE AGENDA AND DISTRIBUTION OF MINUTES

- 13.1 The secretary of the audit committee in consultation with the CAE is responsible for arranging the meetings of the audit committee and the gathering and distribution of the agenda papers and minutes.
- 13.2 Draft minutes of each meeting are to be prepared by the Secretariat and, within 14 days after the meeting, be circulated to the members of the Audit Committee and other attendees.
- 13.3 Copies of the revised minutes must be distributed to all members, the Accounting Officer, and the attendees.
- 13.4 The Audit Committee packs must reach the members and the invitees at least seven days before the meeting.
- 13.5 The Audit Committee can meet in-committee with the Accounting Officer, the external and Internal Auditors or any other persons to discuss relevant matters and to ensure that there are no unresolved issues of concern.
- 13.6 The agenda shall be finalised and approved with the Chairperson.

14. AUDIT COMMITTEE REMUNERATION

- 14.1 The remuneration will be calculated based on actual hours (start to the end of the meeting) limited to the maximum of full 10-hour day for meetings preparatory time and sitting time (5 hours preparatory and 5 hours of sitting).
- 14.2 Members of the Audit Committee and the Chairperson will be reimbursed at a rate of R 1 943 and R 2 202 per hour to a maximum of Five (5) hours a day as prescribed in their signed contracts respectively, and as per Eastern Cape Provincial Planning and Treasury Instruction No. 6 of 2014/15 (Framework for the Appointment and Remuneration of Audit Committee Members).
- 14.3 The remuneration of the Audit Committee members will include pre-meeting (in-committee meetings).
- 14.4 Actual expenses on travel, flights, accommodation, and car rental will be paid by the department in compliance with the travel and subsistence policy of the department. Travel by own car will be reimbursed at departmental rates.
- 14.5 Expenses incurred by members while attending any Audit Committee will be reimbursed.

15. RESPONSIBILITIES AND DUTIES OF THE AUDIT COMMITTEE

15.1 Responsibilities related to management

- 15.1.1 An audit committee must report and make recommendations to the Accounting Officer, but the Accounting Officer retains responsibility for implementing such recommendations. In addition, to the above, an Audit Committee must, in the annual report of the institution, comment on –
 - (a) the effectiveness of internal controls and management of risks;
 - (b) the quality of in year management and monthly reports submitted in terms of the Act and the Division of Revenue Act; and
 - (c) its evaluation of the annual financial statements.
 - (d) Compliance with laws, regulations, and ethics.

15.2 Financial, management and other reporting practices

- 15.2.1 Review the Annual Financial Statements of the department and consider whether they are fairly presented, complete and reflect appropriate accounting principles. The reviews should entail:
- 15.2.2 Reviewing the unaudited annual financial statements and establishing that they have been prepared by management in accordance with the modified cash basis as prescribed by National Treasury and also compliance with other statutory requirements prior to their submission to the Auditor-General.
- 15.2.3 Enquiring about any significant financial reporting issues discussed during the accounting period between management and the internal and external auditors and how they were resolved.
- 15.2.4 Review other sections of the annual report and considering the accuracy and completeness of the information;
- 15.2.5 To review and assess the adequacy of management reporting to the management with regards to the quantity, quality and timing of information.
- 15.2.6 To review the Department's accounting policies and practices in the light of the applicable statutory requirements and generally accepted accounting principles and
- 15.2.7 Review significant transactions and those that do not normally form part of the Department's business.

15.3 Internal controls and management of risks

- 15.3.1 The Accounting Officers of the department is ultimately responsible for management of the risks associated with the functioning of his/her department. 15.3.2 The primary responsibility of the Audit Committee is to assist management in fulfilling its responsibilities by providing an oversight of the managing of risks. Part of its function in relation to risk management is to oversee the IT risks and fraud risks as they relate to financial reporting and the internal financial controls.
- 15.3.2 The Audit Committee must understand the Department's major risk areas including the financial, legal and fiscal risk and the internal control environment, and must monitor the control process and the adequacy of the Department's systems of internal controls by reviewing Internal and External Audit reports.
- 15.3.3 Be constantly aware of the current areas of the greatest financial risk and ensure management is effectively managing the risks.
- 15.3.4 Ensure that effective systems of accounting and internal controls are established and maintained to manage financial risk.
- 15.3.5 Satisfy itself with regard to the integrity and prudence of management control systems, including the review of policies and/or practices.
- 15.3.6 Ensure that management is aware of any matters that might have a significant impact on the financial condition or affairs of the Department.
- 15.3.7 The Audit Committee responsibility includes providing regular feedback to the Accounting Officer on the adequacy and effectiveness of risk management in the institution, including recommendations for improvement.
- 15.3.8 Ensuring that the internal and external audit plans are aligned to and consider the risk profile of the department.
- 15.3.9 Where management has not implemented recommendations by internal and external auditors to mitigate risks, the Audit Committee must ensure that HOD has accepted such risks and reasons provided are reasonable and acceptable. **(Risk Acceptance Form)**
- 15.3.10 Monitoring the accomplishment of established objectives through the mission and vision statements, business plan and the transformation processes.

16. Compliance with laws, regulations and ethics

The Audit Committee must ensure that the HOD and Directors of the Department have necessary mechanism in place to ensure that there is compliance with pertinent laws and regulations, is conducting its affairs ethically, and is maintaining effective controls against conflicts of interest and fraud. The specific steps involved in carrying out this responsibility includes: -

- I. Review policy documents
- II. Compliance with laws, regulations, ethics, and policies;
- III. Rules regarding conflict of interest;
- IV. Disaster recovery plans;
- V. Monitor the compliance with the above laws and regulations;
- VI. Take note of significant cases of employee conflicts of interest, misconduct, or fraud and the resolution of the cases;
- VII. Review any Internal Auditor's written report on compliance, any significant findings, and the resolution and follow-up on findings and recommendations;
- VIII. Monitor developments and changes in the law relating to the responsibilities and liabilities of the department, and to monitor and review the extent to which the management is meeting its obligations;
- IX. Monitor developments and changes in the rules, regulations and laws which relate to the Department's operations and to monitor and review the extent to which the Department is complying with such laws.
- X. All intended amendments and additions to policy, statutory frameworks and guidelines that impact on financial administration conveying to the Audit Committee by management for review and comment.
- XI. Review procedures established by management to monitor and enforce compliance with regulatory and financial reporting requirements.

17. PREDETERMINED OBJECTIVES

The Audit Committee shall:

- 17.1 Ascertain whether or not there are signed performance agreements for the Accounting Officer and also for the line managers and other officials in the department;
- 17.2 Review the five (5) year Strategic Plan of the department to ensure that it is in compliant with the relevant legislation by evaluating whether the strategic plan, approval process, policy and procedures are in alignment with the relevant legislation such as the PFMA, Treasury Regulations, etc.
- 17.3 Review the Annual Performance Plans of the department by:
 - 17.3.1 Assessing whether the performance indicators and targets in the Annual Performance Plan are in line with the Strategic Plan;
 - 17.3.2 Evaluating that the quality of the performance indicators and targets meet the criteria defined in the National Treasury Framework for managing performance information;
 - 17.3.3 Ascertaining that there is a link between outcomes, outputs, indicators and targets;
 - 17.3.4 Ascertaining that there are service delivery improvement programs in the Annual Performance Plan;
 - 17.3.5 Assessing that the budget is linked to the measurable objectives in the Strategic Plan and the Annual Performance Plan;

- 17.3.6 Establishing that there are documented policies and procedures to guide the process of collecting, processing and reporting performance information;
- 17.3.7 Verifying that the performance information reporting template is in line with the National Treasury framework for managing performance information;
- 17.3.8 Reviewing quarterly performance reports by assessing whether or not performance information is consistently reported from one quarter to the next in line with the objectives, indicators, targets and budgets as set out in the Strategic Plan and Operational Plan;
- 17.3.8 Reviewing the Annual Performance Report by assessing that the information is in line with the quarterly performance reports and also the Annual Financial Statements; and
- 17.3.9 Assessing whether performance is being effectively monitored by management and if the corrective actions are followed up and implemented.

18. INFORMATION TECHNOLOGY

The Audit Committee shall review whether:

- 18.1 The IT systems are aligned with the performance and sustainability objectives of the department;
- 18.2 Management is taking the responsibility for the implementation of an IT governance framework and that it monitors and evaluates significant IT investments and expenditure;
- 18.3 IT forms an integral part of the department's risk management that IT assets are managed effectively;
- 18.4 Adequate information security management practices have been implemented;
- 18.5 An adequate business and disaster recovery plan exists;
- 18.6 The information technology strategy forms part of the strategic business planning process;
- 18.7 There are effective IT governance practices through the application of recognized frameworks, methodologies, continuous assessments and monitoring;
- 18.8 There are IT benefits realization processes; and
- 18.9 There are IT value and performance measurement processes

19. COMBINED ASSURANCE

- 19.1 Review the Combined Assurance Framework and Plan.
- 19.2 Ensure that the Framework and Plan can be clearly linked to the risk analysis,
- 19.3 Ensure that all the high-risk areas identified in the risk analysis are covered in the Combined Assurance Plan.
- 19.4 This would include ensuring that when the risk profile change, the Combined Assurance Plan is updated.
- 19.5 Ensure that risk analysis includes the strategic risks as well as the significant risks within the different assurance areas, including for example, but not limited to forensics, legal, financial, environmental, occupational health and safety.

20. Responsibilities related to Auditors

20.1 The Audit Committee must ensure that the Internal Audit function performs its responsibilities effectively and efficiently by the –

- I. Review and approval of the Internal Audit Charter;
- II. Review and approval of the Combined Assurance Framework;
- III. Monitor the implementation of the Combined Assurance Plan
- IV. Review of the structure, competencies and qualifications of the Internal Audit staff;

- V. Review of the plans and budgets of the Internal Audit function. Ensure that the annual and three year rolling plan addresses the high-risk areas and that adequate resources are available;
- VI. Review of the audit results and responding to action plans of management;
- VII. Authorising ad hoc requests for audit projects;
- VIII. Review of the results of quality assurance reviews;
- IX. Communication with Internal Auditors' in closed meetings at least annually;
- X. Ensure that Internal Audit work is co-ordinated with the external auditors to ensure there is no duplication of work. This includes all other Combined Assurance Providers.
- XI. Review the quarterly internal audit progress report to evaluate correct progress as achieved. This must include significant audit findings and management's response thereto and the AG and internal audit findings register to monitor and ensure correct value is being obtained from Audit activities.
- XII. Evaluate independence and effectiveness of Internal Audit unit.
- XIII. On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the Committee or internal audit believes should be discussed privately;
- XIV. Internal audit's compliance with the Institute of Internal Auditors Standards for Professional Practice of Internal Auditing; and
- XV. No unjustified restrictions or limitations were placed upon the internal auditors.

20.2 External Auditors

The Audit Committee must:

- I. Review the Audit Strategy and the audit plan of the external auditors;
- II. Review that the external audit fees is aligned to the scope of the audit;
- III. Ensure that there are no restrictions or limitations placed on the auditors;
- IV. Review audit results, quality and contents of financial information and action plans of management;
- V. Consider significant disagreements between External Auditors and management;
- VI. Consider material unsolved accounting and auditing problems;
- VII. Ensure direct access by the External Auditors, either to the Audit Committee and its Chairperson or Accounting Officer;
- VIII. Ensure that the External Auditors are informed of all known risks to enable them to evaluate these risks for possible inclusion in their audit plan.

21. AUDIT COMMITTEE REPORTING RESPONSIBILITIES

- a. The Chairperson of the Audit Committee must report to the Accounting Officer all significant findings and concerns of the Internal Audit and/ or the External Auditors.
- b. The Audit Committee must report and make recommendations to the Accounting Officer, but the latter retains responsibility for implementing such recommendations.
- c. The Audit Committee may communicate any concerns it deems necessary to the Executive Authority, Provincial Planning and Treasury and/ or the Auditor-General if appropriate.
- d. The Audit Committee must, in the Annual report of the institution comment on:
 - i. The effectiveness of internal control.
 - ii. The quality of in year management and monthly reports submitted in terms of the PFMA and the Division of Revenue Act.
 - iii. Its evaluation of the annual financial statements.
 - iv. Its independence in the execution of its duties and the adoption of its constituency.

- v. The functioning and effectiveness of Internal Audit
- e. Should a report to the Audit Committee, whether from the internal audit or any other source, implicate the Accounting Officer in fraud, corruption or gross negligence, the chairperson of the Audit Committee must promptly report this to the relevant Executive Authority.
- f. The main reporting function is in terms of internal audit performance and responsibilities. This must be based on the internal audit reports submitted to the Audit Committee, as well as the review of the internal audit function. The audit committee reviews the scope and independence and objectivity of the external audit.
- g. The audit committee is required to report in the department's annual report which includes a disclosure of whether the audit committee has satisfied its responsibilities for the year, in full compliance with its terms of reference.
- h. At the end of the year, the Audit Committee is required to report any issues that deemed to be necessary to the Executive Authority and the Head of Department. The report should be signed by the Chairperson of the Audit Committee.
- i. The Audit Committee will adopt and approve the Internal Audit reports that will be distributed to Auditor General for the purpose of external audit use.
- j. The Audit Committee will adopt and approve the Internal Audit reports that will be distributed to management for the purpose of enhancing internal control systems.

22. RESPONSIBILITIES IN RESPECT OF THE RECRUITMENT AND DISMISSAL OF THE HEAD OF INTERNAL AUDIT UNIT

- 22.1 For the appointment and discharge of the Chief Audit Executive, the Audit Committee shall be correctly included in the relevant process including the reassignment and any other sanctions that could be imposed on the Chief Audit Executive;
- 22.2 The Audit Committee shall be involved in the appointment of the Internal Audit Service Provider should the department decide to procure such services.

OTHER RESPONSIBILITIES

- 22.3 The Audit Committee must report to management any matter identified during the course of carrying out its duties that it considers significant.
- 22.4 The Audit Committee chairperson is required to attend and participate in the Audit Committee Chairpersons forum (ACCF) twice per annum.

23. BENEFITS ARISING FROM AN AUDIT COMMITTEE

- 23.1 Certain benefits will accrue to the Department, when the Audit Committee functions effectively. These include:
 - 23.1.1 Ensuring an independent internal audit function, ensuring the function operates efficiently and effectively.
 - 23.1.2 Ensuring compliance with the overall audit practices.
 - 23.1.3 That risk management practices are applied effectively to ensure the department delivers in its mandate.
 - 23.1.4 That sound corporate governance practices are applied.
 - 23.1.5 That the system of internal controls is adequate and functioning effectively.
 - 23.1.6 That fraud and corruption are being dealt with effectively.
 - 23.1.7 Capacity building to staff members.

23.1.8 The Audit Committee will not be compensated when the members attend training or a conference.

24. EVALUATION OF THE AUDIT COMMITTEE

It is the responsibility of the chairperson in conjunction with the Internal Audit Unit to facilitate the evaluation of the effectiveness of the audit committee and to make any recommendations to improve its effectiveness, if necessary.

25. REVIEW OF THE AUDIT COMMITTEE CHARTER

25.1 Any amendments to the Audit Committee Charter shall only be effective when endorsed by the Head of Department and approved by the MEC.

25.2 These terms of reference may be amended as required, subject to the approval of the Executive Authority and will be reviewed by the relevant stakeholders on an annual basis.

25.3 The Audit Committee in carrying out its duties under these terms of reference will have due regard to the principles of governance and code of best practice as contained in the Public Finance Management Act, 1999 (act 1 of 1999), the National Treasury Regulations.

25.4 These terms of reference will have *mutatis mutandis* application, dependent on whether it is shared or department specific.

26. AUDIT COMMITTEE ESCALATION PROCESS

In the conduct of its activities the Audit Committee has adopted the following escalation process to ensure that audit recommendations and action plans are implemented.

- a. The Audit Committee through its chairperson shall report to the Executive Authority and to the Accounting Officer.
- b. The chairperson of the audit committee will make a brief presentation of the findings and recommendations of the audit committee to the Executive Authority and EXCO (Top Management) if so required.
- c. The Audit Committee is authorized to investigate any related activity within its terms of reference.
- d. The Audit Committee is authorized to obtain independent advice, and to secure the attendance of outsiders with relevant experience and expertise, if it considers this to be necessary for them to make informed recommendations.
- e. The Audit Committee is authorized to seek any information that it requires from any employee of the Department and all employees are directed to cooperate with any request made by the committee.
- f. The Audit Committee is authorized to have direct access to the Member of the Executive Authority, Executive Management of the Department, Internal Audit as well as the External Auditors

27. The following potential events have been identified:

27.1 EVENT 1: UNASSURED RISKS:

Risk area not covered by IA Plan over a given financial year where assurance is supposed to be given by management and the AC is of the opinion that the assurance from management is insufficient.

27.2 EVENT 2: INADEQUATE ADDRESSING OF AGSA & IA RECOMMENDATIONS:

Instances where management fails to effectively implement corrective actions of identified control deficiencies during a given financial year.

27.3 DETECTING FINANCIAL MISCONDUCT:

Instances where the IA function and AC detects matters that meet the definition of financial misconduct in terms of section 85 of the PFMA.

**27.4 DETECTING A FINANCIAL MISCONDUCT, FRAUD AND CORRUPTION –
IMPLICATING ACCOUNTING OFFICER:**

Instances where the IA function and AC detects matters that meet the definition of financial misconduct in terms of section 85 of the PFMA and NTR 3.1.14, that implicated the Accounting Officer.

**27.5 DETECTING FRAUD AND CORRUPTION – IMPLICATING POLITICAL OFFICE
BEARER:**

Detection of fraud and corruption that implicates Executive Authority or any other Political Office bearer.

A point of escalation is the authority that must be approached by the AC when escalating a matter, and will only need to be referred to the next point of escalation, if the previous point of escalation fails to take action.

Disclosure is the requirement to report the matter in terms of the Annual Report of the department under the Audit Committee Report section.

Escalation Matrix:

Event	Prescript	First Point of Escalation	Second Point of Escalation	Third Point of Escalation
Event 1: Unassured Risks	NTR 3.2.9 & 3.2.10	Accounting Officer	N/A	N/A
Event 2: Inadequate Addressing of AGSA & IA Recommendations	NTR 3.1.15	Accounting Officer	Provincial Treasury (PT) & AGSA	N/A
Event 3: Detecting Financial Misconduct	NTR 4.1.1 & 4.1.2	Accounting Officer	Executive Authority	Provincial Treasury & AGSA
Event 4: Detecting a Financial Misconduct, Fraud and Corruption – Implicating Accounting Officer	NTR 4.1.3 & 4.1.4	Executive Authority	Provincial Treasury	N/A
Event 5: Detecting Fraud and Corruption – Implicating Political Office Bearer	Sec 18(2)(g)*	Provincial Treasury	N/A	N/A

Table 1: Latest Escalation Matrix as recommended by PT and in accordance with PT Accountability Model.

28. VERSION CONTROL AND CHANGE HISTORY

Version Control	Date Effective	Approved By	Amendment
2024/25	1 April 2024	Mr Z. A Williams (Member of the Executive Authority)	No amendments were made.

Table 2: VERSION CONTROL AND CHANGE HISTORY