



# AUDIT AND RISK COMMITTEE CHARTER

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*[Signature]*  
**Council Chairperson**

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## 1. CONSTITUTION

- 1.1. Capricorn TVET College shall establish a Committee to be known as the Audit and Risk Committee (Committee) as a sub-committee of its controlling body ("Council") to assist the Council 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.
- 1.2. The Committee shall not perform any management functions or assume any management responsibilities.
- 1.3. It provides a forum for discussing risk and control issues for developing relevant recommendations to the Council.
- 1.4. The Committee shall mainly make recommendations to Council for its approval or final decision.
- 1.5. The membership, resources, responsibilities and authorities, composition, function and operation of the Committee to perform its role effectively is stipulated in these terms of reference, which may be amended by the Council from time to time.
- 1.6. The Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.

## 2. ABBREVIATIONS

- a) AGSA – Auditor General South Africa
- b) MOU – Memorandum of Understanding
- c) SAICA – South African Institute of Chartered Accountants
- d) TVET – Technical and Vocational Education and Training

## 3. MEMBERSHIP

### 2.1 Composition

The Committee is constituted as follows:

- a) 2 X External members of Council;
- b) 3 X External Experts appointed by Council;
- c) The Accounting Officer (Ex Officio);
- d) The following are permanent invitees of the committee in all its sittings
  - Chief Finance Officer as Resource Person;
  - Internal Audit;
  - Secretary – Council secretariat.

### 2.2 Appointments

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- a) The College Council shall appoint three experts who are qualified and have experience in any of the following: finance, risk management, human resource, quality assurance, or any field that is deemed relevant for a period of three years.
- b) The College Council shall advertise such vacancies.
- c) The College Council shall deploy two of its internal members who are also experts in any of the following: finance, risk management, human resource and quality assurance.

### **2.3 Chairperson**

- a) The Council shall appoint a chairperson of the Audit and Risk Committee from the members of the Committee who are Council members for a period of three years.
- b) The chairperson of the Committee must be knowledgeable of the status of the position, have requisite business, financial and leadership skills and may not be the chairperson of the Council.
- c) In the event that the Chairperson is not present the Audit and Risk Committee members can nominate a Chairperson for the sitting.

### **2.4 Term of office**

#### **2.4.1 Removal**

The Council shall have the power at any time to remove any member from the Committee and to fill any vacancies created by such removal.

#### **2.4.2 Resignation**

- A member may at any time resign as member from the Committee.
- Council shall approve resignations.
- The letter of resignation must be sent to the Audit Committee chairperson and the chairperson of Council.
- The position of an audit committee member may not remain vacant for more than three months

#### **2.4.3 Lapse of period**

- Members hold office for a period of five years; provided that such a member remains eligible to be a member and continues to be independent.
- Members of the Committee may not serve for more than two consecutive terms of office.

#### **2.4.4 Inability to perform duties:**

Council shall have the power to remove any member at any time due to inability to perform duties or non-attendance of meetings.

#### **2.4.5 Decease**

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When a member has departed from life, such a member will be replaced according to the procedures for appointment described in paragraph 2.2 above.

#### **2.4.6 Vacancies**

Any Vacancy should be filled within three months.

### **4. RESPONSIBILITIES OF THE COMMITTEE**

#### **4.1 Auditors and External Audit**

The Committee will be responsible for the following:

- a) Advise Council on the appointment and dismissal of the external auditors, in consultation with the Auditor General South Africa (AGSA) and the Department of Higher Education and Training as required;
- b) Evaluate the independence, objectivity and effectiveness of the external auditor and consider any non-audit services rendered by such auditors as to whether this materially impair their independence;
- c) Evaluate the performance of the external audit functions;
- d) Discuss and review the external auditor's engagement letter, the terms, nature and scope of the audit function, procedure and engagement and the audit fee;
- e) Negotiates procedures, subject to agreement, beyond minimum statutory and professional duties. There are certain minimum procedures required from the external auditors which are not negotiable;
- f) Agree to the timing and nature of reports from the external auditor;
- g) Consider any problems identified in going concern or statement of internal control;
- h) Make suggestions as to problem areas which the audit can address;
- i) In conjunction with the Finance Committee of Council, consider any accounting treatments, significant unusual transactions, or accounting judgements, which could be continuous, and significant ventures, investments or operations are not subject to external audit;
- j) Review accounting and auditing concerns identified as a result of internal and external audits and satisfy itself that these are being properly followed up;
- k) Review overall audit role to explore objectives, minimise duplication, discuss, implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- l) Obtain assurance from the external auditor that adequate accounting records are being maintained.
- m) Recommends Annual Financial Statements, Audited Financial Statements and any other report to Council for approval.

#### **4.2 Organisational Performance**

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The Committee will examine and review organisational performance and accompanying reports and other performance related information to be made public, prior to submission and approval by the Council.

#### **4.3 Financial statements**

The Committee will examine and review the annual financial statements and accompanying reports and other financial information to be made public, prior to submission and approval by the Council focussing particularly on:

- a) The implementation of new systems;
- b) Tax and litigation matters;
- c) Any changes in accounting policies and practices;
- d) Major judgemental areas;
- e) Significant adjustments resulting from the audit;
- f) The basis on which Capricorn TVET College has been determined as a going concern;
- g) Funding adequacy;
- h) Internal control;
- i) Compliance with accounting standards and legal requirements; and
- j) Major adjustments processed at year-end.

#### **4.4 Internal control and internal audit**

An important role of the Committee will be to monitor and supervise the effective function of internal audit, ensuring that the roles and functions of the external audit with internal audit are sufficiently clarified and co-ordinated to provide an objective overview of the operational effectiveness of the College's systems of internal control and reporting. This will include:

##### **4.4.1 Internal control**

- a) Reviewing the effectiveness of Capricorn TVET College's systems of internal control, including internal financial control and business risk management and to maintain effective internal control systems;
- b) Reviewing the safeguarding of Capricorn TVET College's assets against unauthorised use or disposal;
- c) Reviewing the controlling of the overall operational and financial reporting environment;
- d) Monitoring the maintenance of proper and adequate accounting records;
- e) Reviewing significant matters reported by the internal audit function;
- f) Reviewing the adequacy of corrective action taken in response to significant internal audit findings;

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- g) Directing and supervising investigations into matters within its scope, for example, evaluations of the effectiveness of the College's internal control, cases of employee fraud, misconduct or conflict of interest;
- h) Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities. (King III Section 3.5)
- i) Assist Council in the discharge of its responsibilities relating to the governance of Information Technology. (King III Section 5.7)

#### **4.4.2 Internal audit**

- a) Recommends appointment, dismissal or re-assignment of the internal auditors to Council.
- b) In consultation with the Internal Audit function, develops or reviews an audit charter which must be approved by the College Council.
- c) Develops or reviews the internal audit charter, internal audit plans and work programmes which must be approved by Council.
- d) Reviews the objectives and the operations of the internal audit function;
- e) Evaluates the performance of internal audit;
- f) Assesses the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources, reviews the co-operation and co-ordination between the internal and external audit functions and co-ordinating the formal internal audit work program with external auditors to avoid duplication of work;
- g) Evaluates the independence and effectiveness of the internal auditors;
- h) Reviews significant differences of opinion between management and the internal audit function.

#### **4.5 Risk Management**

The Committee will review the Risk Management Framework, Policy and results of risk assessments at least annually prior to submission to Council. The Committee may also require management to regularly report on risk mitigation plans to the Audit and Risk Committee.

#### **4.6 Compliance with legislation**

The Committee must review Management and Council's compliance with legal and regulatory provisions.

#### **4.7 Ethics**

The Committee will be responsible for:

- a) Monitoring the ethical conduct of the College, its Executives and Senior officials;
- b) Review any statements on ethical standards or requirements for the College and to assist in developing such standards and requirements;

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- c) Review and monitor compliance with the relevant Continuing Education and Training Colleges Act (CET Act of 2006) as amended and any other applicable legislation;
- d) Monitoring the identification of any violations of ethical conduct;
- e) Review and monitoring environmental and social issues;
- f) Monitor the implementation of Memoranda of Understanding (MoU) between the College and relevant respective organisations; and
- g) The committee will also recommend on any potential conflict of interest or questionable situations of material nature.

#### **4.8 IT Governance**

The Committee will review and discuss IT governance and advise Council on significant matters relating to IT governance.

### **5. REPORTING AND ACCOUNTABILITY**

The chairperson of the Committee shall account to the Council for its activities and make recommendations to the Council concerning the adoption of the annual financial statements and any other matters arising from the above responsibilities.

The Committee must:

- a) Report and make recommendations to the Council.
- b) Report on the effectiveness of internal controls in the annual report of Capricorn TVET College.
- c) Comment on its evaluation of the financial statements in the annual report.
- d) Should a report from internal audit (or any other source) to the Committee implicate any members of the Council in fraud, corruption or gross negligence, the chairperson of the College Council or the Audit and Risk Committee if the chairperson is conflicted must promptly report this to the Department of Higher Education and Training.
- e) The Committee through the Chairperson of Council must communicate any concerns it deems necessary to the Department of Higher Education and Training and where appropriate, to the external auditors.

### **6. ACTIVITIES OF THE COMMITTEE**

In discharging its responsibilities, the Committee will:

#### **6.1 Financial Statements**

- a) Review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information including interim and annual financial statements and other public and regulatory reporting;
- b) Review the annual report and accounts, taken as a whole, to ensure they represent a balanced and understandable assessment of the position, performance and prospects

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of the College. The Annual Report must be published three months after the approval of the Audited Annual Financial Statements by Council.

- c) Review the external auditor's proposed audit certificate;
- d) Review any accounting and auditing concerns identified as a result of internal and external audits and discuss any matter the auditor may wish to discuss (in the absence of management, where requested by the Committee, or any other person who is not a member of the Committee);
- e) Review the external auditor's management letter and management response;
- f) Review the credibility, independence and objectivity of the auditor, taking into account its audit and non-audit fees. Where the auditor also supplies a substantial volume of non-audit services to the College, the Committee should keep the nature and extent of such services under review seeking balance between the maintenance of objectivity and value for money.

## **6.2 Internal Control and Internal Audit**

Review the College's statement on internal control systems prior to endorsement by the Council and in particular to review:

- a) The procedures for identifying business risks and controlling their impact of the College. In this regard the Risk Committee of the College will report to the Audit and Risk Committee on risk management;
- b) The College's policies for preventing or detecting fraud.
- c) The College's policies for ensuring that the College complies with relevant regulatory and legal requirements;
- d) The operational effectiveness of the policies and procedures;
- e) Consider whether the strategy and objectives of the organisation, staffing plans, financial budgets, audit plans and standing of the internal audit function provide adequate support to enable the Committee to meet its objectives;
- f) Review the results of work performed by the internal audit to financial reporting, corporate governance, internal control and the reports of significant investigations and the responses of management to specific recommendations;
- g) Review co-ordination between the internal audit function and the external auditors and deal with any issues of material or significant dispute or concern;
- h) Review such significant transactions not directly related to the College's normal business as the Committee might deem appropriate;
- i) Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees of Capricorn TVET College.
- j) Review the controls over significant risks; and
- k) Consider other relevant matters referred to it by the Council.

### 6.3 Principles of Governance

The Committee in carrying out its duties under these terms of reference will have due regard of the principles of governance and best practices as contained in the King Reports on Corporate Governance in South Africa and any other applicable sources.

## 7. MEETINGS

- a) The Committee shall meet at least four times in a calendar year.
- b) The Committee must meet at least once annually with the external auditor to ensure that there are no unresolved issues of concern.
- c) The Secretary of the Committee shall at least give a 14 days' notice of meetings. The business to be discussed shall be given to the members of the Committee, the Chairperson of the Council, the Chief Executive Officer, Executives and Managers responsible for finance, the internal auditors and external auditors to make proposals where necessary.
- d) The quorum for decision of the Committee shall be 50% plus one Committee member present throughout the meeting of the Committee.
- e) The Accounting Officer of the College and the Chief Finance Officer as well as a senior audit representative in charge of the external audit and Internal Audit Function shall attend meetings of the Committee. They may not attend meetings of this Committee if the Committee is discussing matters which College Management is conflicted. The Committee may through the Accounting Officer invite any other College employee to attend its meeting.
- f) A resolution register making provision for: Actions needed, responsible person, due date and progress to date to be kept for all resolutions.
- g) The signed minutes of all meetings of the Committee, or summaries thereof, shall be submitted to the Council at the immediate following Council meeting, the agenda for each such Council meeting shall provide an opportunity for the Chairperson of the Audit and Risk Committee to report on any matters of importance and in terms whereat the Chairperson shall report the Committee's finding and recommend actions.

## 8. PROCEEDINGS

- a) Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Act regulating the meetings and proceedings of the Council and committees.
- b) Minutes of meetings shall be taken by the Committee secretary, forwarded to all members within 7 working days after the meeting and shall be reviewed and approved by the members of the Committee.

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## 9. AUTHORITY OF THE COMMITTEE

The Committee in carrying out its duties under these terms of reference:

- a) This Committee is a Committee of the College Council and consequently it reports to Council.
- b) It is authorised to investigate any matter within its terms of reference as referred to it by the Internal Auditors or external auditors and any interested party. Such investigation must be approved by Council or Council in Committee if it involves College employee. The Accounting officer attends Council in Committee if he/she is not conflicted.
- c) The Committee may, at the discretion of the Committee, require other employees of Capricorn TVET College to attend meetings or parts of meetings. Such invitation will be through the Accounting officer of the College.
- d) The Committee shall have full access to any information it may require.
- e) The Committee will be provided with the resources it need to execute any investigation undertaken.
- f) The Committee must safeguard all information supplied to it within the ambit of the law and Council policies.

## 10. REMUNERATION

- a) Remuneration of members of the Committee members who are not Council members shall be decided upon by Council.
- b) If meetings are held virtually committee members will be reimbursed for data usage as determined by Council

## 11. QUORUM

Each meeting, in order to be a valid meeting, must be attended by 50% of non-executive Committee members appointed at the time plus one.

## 12. GENERAL

- a) The Committee in carrying out its tasks under these terms of reference may obtain outside or other independent professional advice, as it considered necessary to carry out its duties. The Council will ensure that the Committee will have access to professional advice both inside and outside of the College in order for it to perform its duties.
- b) These terms of reference may from time to time be amended as required, subject to the approval of Council.