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AUDIT AND PERFORMANCE AUDIT COMMITTEE TERMS OF REFERENCE

Revised Terms of Reference approved at the Mayoral Committee Meeting on 16th September 2025
vide Item MC 50/09/25

Version Control

The Audit and Performance Audit Committee (APAC) Terms of Reference (ToR) was developed and reviewed over many years and is approved by the Executive Mayor together with the members of the Mayoral Committee (MayCo).

Revision No.	Detail	Facilitated By	Review	Approval
v 1.0	Annual Review of the APAC Terms of Reference	Internal Audit	APAC 15 June 2020 AUD 19/05/20	Executive Mayor together with the members of the MayCo 20 Oct 2020 MC 42/10/20
v 2.0	Annual Review of the APAC Terms of Reference	Internal Audit	APAC 27 May 2022 AUD 25/05/22	Executive Mayor together with the members of the MayCo 7 June 2022 MC 28/06/22
v 3.0	Annual Review of the APAC Terms of Reference	Internal Audit	APAC 24 May 2023 AUD 25/05/23	Executive Mayor together with the members of the MayCo 22 June 2023 MC 64/06/23
v 4.0	Annual Review of the APAC Terms of Reference	Internal Audit	APAC 29 November 2024 PAUD 12/11/24	Executive Mayor together with the members of the MayCo 21 January 2025 MC 20/01/25
v 5.0	Annual Review of the APAC Terms of Reference	Internal Audit	APAC 27 August 2025 PAUD 25/08/25	Executive Mayor together with the members of the MayCo 16 September 2025 MC 50/09/25

Contents

1 Introduction

In terms of section 166 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA), this APAC ToR addresses the execution of the committee's roles and responsibilities, the requirements for composition and dissolution, and APAC meeting procedures in respect of the City, including all relevant municipal entities and the Cape Metropolitan Transport Fund (CMTF), as guided by the King IV Report.

2 Mandate

In terms of the section 166(2) of the MFMA, the APAC is an independent advisory body, which must:

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to—
   - (i) internal financial control and internal audits;
   - (ii) risk management;
   - (iii) accounting policies;
   - (iv) the adequacy, reliability and accuracy of financial reporting and information;
   - (v) performance management;
   - (vi) effective governance;
   - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
   - (viii) performance evaluation; and
   - (ix) any other issues referred to it by the municipality or municipal entity.

(b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;

(c) respond to the council on any issues raised by the Auditor-General in the audit report;

(d) carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and

(e) perform such other functions as may be prescribed.

3 Scope

(a) The APAC scope of operation is in terms of the MFMA, the Local Government: Municipal Systems Act, Act 32 of 2000 (MSA), the Local Government: Municipal Planning and Performance Management Regulations (2001) (MPPMR), including the NT Framework and best practices and key extracts from the related National Treasury Circular 65 and Circular 127 as guidelines, and the requirements for Good Public Governance Practices as advised in the King IV Report on Corporate Governance for South Africa (2016). It also incorporates principles from the Standards published by the Institute of Internal Auditors (IIA).

(b) Consistent with regulation 14(2)(c) of the MPPMR, the municipality uses the APAC as its performance audit committee.

(c) The APAC, in carrying out its duties as per this ToR:
   (i) May request other staff of the City to attend meetings or parts of meetings.
   (ii) APAC members should adhere to the City's code of conduct, values and ethics. It is the responsibility of APAC members to disclose any conflict of interest or appearance of a conflict of interest to the Mayor and committee. If there is any question as to whether audit and performance audit committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.
   (iii) Shall safeguard and treat as confidential all the information supplied to it within the ambit of the law.
   (iv) Shall objectively carry out any investigations into financial and non-financial performance of the municipality that Council may request; and any other issues referred to it by Council.
   (v) Have unrestricted access to the records, data, reports and other relevant information related to the duties of the City and the CMTF via the CAE.
   (vi) May request assistance and/or information from any staff, who are required to co-operate with any request made by the APAC, in the course of its duties.
   (vii) Shall have direct and unrestricted access and lines of communication to the:
      - Executive Mayor;
      - MayCo members;
      - Council/Councillors;
      - MPAC;
      - City Manager and Executive Management Team (EMT);
      - CAE;
      - Director: Risk and Resilience
      - City Ombudsman;
      - Chief: Ethics and Forensic Services;
      - Director: Legal Services; and
      - Auditor-General of South Africa (AGSA).

(d) May be permitted to consult with specialists or consultants subject to Council approved processes.
(e) May form sub-committees consisting of one or more designated members of the APAC.
(f) In terms of section 40 of the MSA, a municipality must establish mechanisms to monitor and review its performance management system. In addition, regulation section 14(4)(a)(i) and (ii) of the MPPMR requires that the committee must review the quarterly reports submitted to it by IA and review the municipality's performance management system and make recommendations in this regard to the council of that municipality.

4 Composition

(a) The APAC shall consist of a maximum of five (5) members, who are independent of the municipality, municipal entities and the CMTF and do not carry on any business with any municipality, municipal entities or the CMTF linked to a municipality or municipal entity.
(b) APAC members must have the appropriate qualifications, competence and experience to render the services associated with the audit committee function within a metro municipality.
(c) The APAC shall collectively have the requisite knowledge and experience of auditing, internal control, risk management, finance, governance, performance management, operations, economics, commerce, and/or human resources, information and communication technology, environmental, social and governance (ESG) systems and reporting, sustainability and business continuity, relevant financial and integrated reporting, as well as legislative frameworks.
(d) All members of the APAC should be specialists in at least one (1) or more of the knowledge areas indicated above. In addition, the members should have an understanding of service delivery

priorities including financial management processes, the role of the Council and councillors, public sector reforms, and the treatment of allegations and investigations.

(e) APAC members shall conduct themselves with utmost good faith and the highest levels of integrity, objectivity, confidentiality, professionalism and due care.

(f) APAC members must be independent, objective, unbiased, dedicated, committed and keep abreast of any key developments in financial reporting and relevant legal and regulatory provisions.

(g) APAC members must:
   (i) Complete the annual Declaration of Interests and Independence required by the City; and
   (ii) Declare any specific interests at the commencement of each APAC meeting and recuse him-/herself from the meeting, when the item in issue is being discussed.

(h) No person may be a member of APAC within three (3) years of him/her or a family member serving as a full-time salaried staff of the municipality, municipal entities or the CMTF.

(i) No staff of Council, its municipal entities, excluding board members, or its relevant Fund or any councillor, shall be eligible to serve as a member of the APAC.

(j) Except in the case of shared committees, APAC members of the City shall not serve on more than three (3) local government Audit- or Performance Audit Committees simultaneously.

(k) APAC members must not have any record of convictions of any criminal offense(s) and/or financial misconduct.

5 Term

(a) The appointment of the members of the APAC must be approved by Council at the recommendation of the City Manager and Executive Mayor.

(b) On the recommendation of the City Manager and Executive Mayor, Council shall approve the appointment of a Chairperson from amongst the existing members of the APAC. Rotation of the Chairperson must ensure a balance between maintenance of continuity and a fresh perspective.

(c) APAC members are appointed for a term of three (3) years and may be re-appointed for one further term of three (3) years, based on the member's performance. The appointment of APAC members will be staggered to ensure continuity within the committee and must be concluded at least three months in advance of the expiry of the retiring member's terms.

(d) No further re-appointment is permitted, until the cooling-off period indicated in point (e) below is completed.

(e) A cooling off period of two (2) years is required, before any member of APAC who has served two (2) consecutive periods, may be reconsidered for further appointment to the APAC.

(f) All APAC members are required to enter into a formal contract with the City, in accordance with the approved ToR.

(g) If, for any reason, a member of the APAC is unable to continue serving as a member of the committee, he/she shall be replaced. Such replacement must be approved by Council, upon the recommendation of the City Manager and the Executive Mayor. Any person appointed to replace a member, shall serve for a full three (3) year term.

(h) An APAC member may be removed by the Council, at the recommendation of the City Manager and Executive Mayor, upon due cause being shown. Specifically, an APAC member shall be disqualified to serve as a member of the APAC on reasonable grounds being shown that s/he is ineligible or disqualified, incapacitated, or negligent or derelict, as the case may be.

(i) In the event of a member being absent from two (2) consecutive quarterly APAC meetings without valid cause/reason, then the Chairperson must report such absence to the City Manager and Executive Mayor for reporting to Council, who will take the decision whether the affected member should be removed as a member of the APAC.

(j) Committee members will receive formal orientation training on the committee's purpose and mandate and on the City's objectives.

(k) Members will be remunerated in terms of a remuneration rate approved by Council.

6 Responsibilities

6.1 Effective Governance

(a) APAC will review and provide advice on the governance committees and processes established and maintained within the City and the procedures in place to ensure they operate as intended.
(b) APAC must independently and objectively review and advise or provide recommendations on governance and the operational effectiveness of the systems of internal control and reporting to improve the control environment.
(c) The APAC will advise on the City's effective application of the principles and practices of King IV, as adopted by Council.
(d) The APAC will promote and monitor City-wide commitment to a strong and effective control environment, emanating from the tone at the top.
(e) The APAC will not perform any management functions or assume any management responsibilities as this could prejudice its objectivity.
(f) The APAC does not relieve management of their responsibilities but may support them by making objective and independent recommendations.
(g) In effecting its responsibilities, APAC shall use the ToR as a basis for, *inter alia*:
    (i) Preparing the APAC annual work plan;
    (ii) Setting the agenda for meetings;
    (iii) Requesting additional knowledge, skills and expertise as and when required;
    (iv) Making recommendations to the City Manager, EMT, the Executive Mayor together with MayCo, and the Council;
    (v) Assessing the performance of the APAC by its members, Council, EMT, AGSA, IA, Ethics and Forensic Services, Ombudsman, Risk and Resilience; and
    (vi) Contributions and participation at meetings.

6.2 Internal Control

The APAC will:
(a) Oversee whether management's approach to maintaining an effective internal control model, including over external parties such as contractors, is sound and effective.
(b) Review the adequacy, effectiveness and efficiency of the systems of internal control, (including information technology and internal financial control), risk management and corporate governance.
(c) Consider and provide advice to management on how to identify any required changes to the design or implementation of key internal controls.
(d) Determine whether appropriate processes are in place to periodically review compliance with legislation, in particular the MSA, MFMA (City), Public Finance Management Act, Act 1 of 1999 (PFMA) (Fund), Division of Revenue Act (DoRA) and City policies and procedures.
(e) Review the reliability and integrity of information under review.
(f) Review the overall operational and financial reporting environment.
(g) Obtain assurance on whether the City and the Fund's assets have been properly safeguarded and used.
(h) Determine whether there is a process in place for assessing and reporting on financial, internal and other control activities throughout the City.
(i) Assess and advise on the steps taken by management to encourage ethical and lawful behaviour; financial discipline, internal and other control activities and accountability for use of public resources.
(j) Review the statement on internal control systems prior to advising the City Manager, EMT, the Executive Mayor together with MayCo, and Council, and in particular comment on the following:

(i) The procedure for identifying risks and controlling their impact on the City and the Fund;
(ii) Policies for preventing and/or detecting fraud;
(iii) Policies and supporting procedures for ensuring that the relevant regulatory and legal requirements are complied with;
(iv) The operational effectiveness of the financial policies and procedures;
(v) Investigations into matters within this ToR; and
(vi) Any other matters referred to it by Council.

(k) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

(l) Obtain assurance whether appropriate policies and supporting procedures are in place for the management and exercise of compliance, internal policy, and delegations' requirements and that these are periodically reviewed and updated.

6.3 Internal Audit

(a) The CAE reports functionally to APAC, and administratively to the City Manager. The CAE shall have unrestricted access to the Chairperson or any member of APAC in the execution of his/her duties.
(b) APAC will make recommendations regarding the performance evaluation, appointment, and removal of the CAE.
(c) The APAC will advise the City Manager including EMT, the Executive Mayor together with MayCo, and Council on the effective functioning of IA.
(d) Advise on the independence and effectiveness of IA through:
(i) Ensuring that no restrictions or limitations (scope or resource) are placed on IA in the performance of its functions; and
(ii) Obtaining annual confirmation from the CAE regarding the independence, objectivity and competency of IA.
(e) In performing the above, APAC must provide effective independence to IA and ensure value is correctly created and achieved from all IA assignments and findings.
(f) APAC will inform Council of IA's progress and effectiveness related to the requirements of the IA Charter. In order to give effect to this, APAC:
(i) may review and recommend to the Executive Mayor and MayCo for approval the IA Charter at least annually and ensure it complies with the MFMA, National Treasury Regulations and the authorities from IIA;
(ii) must review the IA Strategy and ensure that it aligns with the expectations of the APAC, senior management, and other key stakeholders.
(iii) must consider IA's resources in terms of human capital and budget needed to effectively deliver on its mandate and comply with its Charter and escalate if needed;
(iv) must review the one-year and three-year IA audit plan and recommend to the Executive Mayor and MayCo for approval adjustments that will ensure it is prioritised on a risk basis;
(g) APAC must consider and advise on the co-operation and co-ordination between all the assurance providers, to promote the effective implementation of combined assurance.
(h) APAC must monitor the relationship between the external, internal assurance providers and the City management.
(i) In considering IA reporting, APAC should:
(i) Review audit reports issued by the internal auditors.
(ii) APAC should discuss with the CAE unresolved disagreements with management and/or stakeholders and provide support as necessary to enable the CAE to perform the responsibilities outlined in the IA Charter.
(iii) Consider significant matters reported by IA, including matters relating to integration and alignment of assurance processes to maximise risk and governance oversight.
(j) APAC must ensure that IA is monitoring that audit findings are progressing towards positive

correction or risk acceptance.

(k) APAC must review the annual written assessment prepared by IA regarding governance, risk management and internal controls.

(l) In relation to quality, APAC:
   (i) must oversee that the IA function adheres to and conforms with the GIA Standards of the Institute of Internal Auditors;
   (ii) must ensure IA has a Quality Assurance and Improvement Programme for the function, as well as for all assignments undertaken; and
   (iii) must ensure that the five-year External Quality Assurance review and Internal Quality Assurance reviews are performed and consider the progress on corrective actions.

(m) APAC will consider IA's use of technology and related techniques to improve audit coverage and audit efficiency.

(n) APAC must annually evaluate the performance of IA, and the adequacy of available resources, and review the quality of the IA function.

(o) In relation to Combined Assurance, APAC must:
   (i) Ensure that a combined assurance model is developed and applied.
   (ii) Monitor the appropriateness of the combined assurance model and confirming through the governance and oversight structures that the significant risks facing the City are adequately addressed.
   (iii) Consider the results of work performed by IA and advise on the effective implementation of the combined assurance model to provide a coordinated approach to all assurance activities, as defined in the City's Assurance Governance Framework.

6.4 Integrated Risk Management

APAC will:

(a) Consider the Risk and Resilience Framework, and the Integrated Risk Management Standard Operating Procedure for identifying, assessing, monitoring and managing significant strategic risks. Specific consideration should be given to reviewing, evaluating and advising on:
   (i) Risk evaluation criteria.
   (ii) Risk management culture.
   (iii) The City's risk thresholds.
   (iv) Whether risk management is carried out in a manner that benefits the City.

(b) Review the high-level strategic risk register and mitigation strategies (controls and action plans), including the report of significant changes to the City's risk registers, emerging risks and strategic project-related risks.

(c) Consider reports from the Risk Management Committee (RiskCo).

(d) Provide regular feedback to the City Manager and Council on the adequacy and effectiveness of integrated risk management in the City, including recommendations for improvement.

(e) Assess and contribute to the internal and external audit planning processes relating to the risks of the City.

(f) Satisfy itself that the City has appropriately addressed the following risks:
   (i) financial reporting risks, including the risk of fraud.
   (ii) IT risks as they relate to financial reporting.

(g) The APAC Chairperson or his/her alternate shall serve as a member of the City's RiskCo.

6.5 In-year Reporting and Annual Financial Statements

APAC will:

(a) Review periodic management reporting, financial reporting and information.

(b) Review the AFS, and consider whether they are complete, consistent with information known to APAC members, understandable, transparent, reliable and reflect appropriate accounting principles, focusing particularly on:
   (i) The implementation of new systems;
   (ii) Tax and litigation matters involving uncertainty;

(iii) Any changes in accounting policies and practices;
(iv) Major judgmental areas by management;
(v) Compliance with prescribed accounting standards;
(vi) Compliance with relevant legislative requirements;
(vii) Thresholds of materiality;
(viii) Comparing current accounting policies with other alternatives;
(ix) Reviewing management key estimates versus historical data; and
(x) Discussing the areas most susceptible to fraud.

(c) Obtain assurance from management with respect to the accuracy of the AFS.
(d) Comment on the accounting practices and the effectiveness of the internal financial controls.
(e) Review the integrity of the information included in the final Integrated Annual Report before release, by considering the work and results of assurance providers (e.g. external and internal audit) relating to the validity, accuracy and completeness thereof.
(f) Review the audited consolidated AFS and the AGSA Audit Report, prior to submission and approval thereof by Council, focusing particularly on:
(i) Providing an authoritative and credible view of the status of the financial position of the municipality, municipal entities or Fund;
(ii) The efficiency and effectiveness of the entity;
(iii) Overall level of compliance with the MFMA, the annual DoRA and any other applicable legislation.

(g) Consider problems and reservation arising from the audit, and any matters the auditor(s) may wish to discuss (in the absence, where requested by APAC, or management and any other person that is not a member of APAC).
(h) Consider the AGSA's opinion on the quality and appropriateness of the municipality's accounting practices and that of its municipal entities and Fund.
(i) Consider the adequacy of assurance on sustainability issues and report thereon to Council.
(j) APAC must recommend the AFS to Council, providing Council with an authoritative and credible view of the financial position.
(k) Consider the Integrated Annual Report with recommendation to MPAC regarding onward submission to Council.
(l) Consider any evidence that comes to its attention that brings into question any previously published financial information, including complaints about previously published financial information. Where necessary, APAC should recommend that Council correct the previously published financial information if it was materially incorrect.
(m) Review the expertise, resources, and experience of the City's finance function annually.

6.6 AGSA and other external assurance providers

The APAC will, in relation to the AGSA:

(a) Discuss with the AGSA, before the audit commences, their engagement letter, the terms, nature and scope of the audit, the audit plan and the audit fee and other compensation, including ensuring that there is proper coordination of audit effort with IA.
(b) Be made aware of all non-statutory audit services provided by external auditors, as well as the reasons thereof prior to commencement of the work.
(c) At least on an annual basis review and confirm the independence and objectivity of the AGSA and other auditors contracted by the AGSA to perform the external audit of the City and the Fund.
(d) Discuss the extent of the reliance on the work of IA and the need to coordinate and ensure co-operation with internal and other external assurance providers.
(e) Consider any accounting treatments, significant unusual transactions, or accounting judgments, that could be contentious.
(f) Agree to the timing and nature of reports from the AGSA.

(g) Ensure that the AGSA can conduct work free of any restrictions and address any potential restrictions or limitations encountered by the AGSA with the City Manager and Council.
(h) Ensure that the AGSA has unrestricted access to management and the APAC Chairperson.
(i) Ensure that there is a process for the APAC to be informed of any reportable irregularities (as identified in the Public Audit Act, Act 25 of 2004, as amended) identified and reported by any external auditor.
(j) Review and consider the quality and effectiveness of the external audit process.
(k) Obtain assurance from the AGSA that the AFS are a fair reflection of the City and the Fund's financial position, results, and cash flows and that adequate accounting records are being maintained.
(l) Consider any problems identified in going concern or statement on the system of internal control.
(m) Consider major internal control weaknesses and management actions.
(n) Review the AGSA reports and monitor management implementation of audit recommendations and Council resolutions with a view to ensuring satisfactory responses and corrective action, where necessary.
(o) Ensure that outstanding matters and findings raised by the AGSA are dealt with by management conclusively in an expeditious manner.
(p) Consider any matters relating or arising from the audit that need to be discussed with the AGSA in the absence of management.
(q) Must advise regarding the resolution of any disagreements between management and the AGSA regarding financial reporting and other matters.
(r) Provide advice to the City Manager including EMT on actions taken relating to significant matters raised in AGSA reports.
(s) Review the performance of the AGSA annually and present its conclusions with respect to the AGSA to Council.

6.7 Performance Management

The APAC will:
(a) Review and comment on the alignment of the IDP, the Budget, Service Delivery and Budget Implementation Plan (SDBIP) and performance agreements.
(b) Assess the relevance of indicators to ensure they are measurable and relate to services performed by the City including all relevant municipal entities and Fund.
(c) Ensure that performance information and reporting is implemented, managed and monitored in line with the requirements of the City's Organisational Performance Management System (OPMS) Implementation Guidelines.
(d) Review and comment on compliance of the City's and its municipal entities' PMS with the MSA, MFMA, MPPMR, policies and procedures, guidelines and leading practices.
(e) Review reports submitted to it by IA and management regarding the functioning of the City's Performance Management System (PMS).
(f) Review the extent to which the City's performance measurements are reliable in measuring performance of the City on indicators.
(g) Review the City's PMS and make recommendations in this regard to Council.
(h) In reviewing the City's PMS, APAC must focus on impact (including variance exception reporting) in so far as the key performance indicators and performance targets set by the municipality are concerned.
(i) Assess the accomplishment of the City's goals and objectives as set out in the Integrated Development Plan (IDP).
(j) The APAC Chairperson will participate in the performance evaluation of section 56 staff members.

6.8 Compliance

The APAC will:

(a) Advise on the effectiveness of the system by monitoring compliance with applicable laws and regulations and the results of management's investigation and follow-up (including disciplinary action) on any instances of non-compliance.
(b) Advise on the effectiveness of corporate policies, relating to compliance with laws and regulations.
(c) Keep abreast with new legislation and regulations that are relevant to APAC and advise on how these should be addressed within the City (where applicable).
(d) Advise on whether management sufficiently discloses the impact of non-compliance with significant issues in the financial reports.
(e) Advise on whether the internal auditors include assessment of compliance risks in their audit plan.
(f) Determine whether management has appropriately considered legal and compliance risks as part of integrated risk management.
(g) Advise on the findings of any regulatory agencies (for example but not limited to: Public Protector, SA Human Rights Commission etc.) and any audit observations.
(h) Consider regular updates from management and legal counsel regarding compliance matters relevant to the effective functioning of APAC.

6.9 Information Technology

The APAC will advise on the governance of technology and information management, and consider the City's ~~s~~ overall exposure to IT risks including the areas that are most dependent on IT for effective and continual functioning.

6.10 Ethics, Fraud, Corruption and Investigations

6.10.1 Ethics

The APAC will:

(a) Advise on the effectiveness of the applicable ethics programs, including pro-active interventions, awareness campaigns etc. This will include monitoring compliance with ethics programs and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
(b) Advise whether there are established procedures for:
    (i) The receipt, retention, and treatment of complaints received regarding accounting, internal accounting controls, or auditing matters; and
    (ii) The confidential, anonymous submission by staff of concerns regarding questionable accounting or auditing matters.
(c) Advise on the effectiveness of corporate policies relating to ethics, conflicts of interest, and the investigation of misconduct and fraud.
(d) Advise whether the internal auditors include assessment of ethics risks in their audit plan.
(e) Advise whether management exhibits ethical values in line with the City's behaviour and Codes of Conduct.

6.10.2 Fraud, Corruption and Investigations

The APAC will advise the City Manager including EMT, the Executive Mayor together with MayCo, and Council on the effectiveness of Ethics and Forensic services (reactive and proactive). In order for APAC to render this advice it will:

(a) Determine and assess whether the City has effective Fraud Prevention and Whistle Blowing Policies in place, including specific measures to prevent and detect fraudulent activities and acts of financial misconduct.
(b) Review the policies, processes and procedures to deal with economic crime, theft, fraud and corruption.

(c) Establish that there are arrangements made by the City to enable staff and whistle blowers external to the City (including the public, customers and suppliers) to report concerns about possible improprieties in matters of financial reporting, compliance with laws and regulations or other matters that may have a direct or indirect effect on financial reporting with the protection of the Whistle Blowers' Policy.
(d) Ensure that the City has appropriate arrangements in place for an independent investigation of whistle blowing reports and for taking any action necessary as a result of such reports.
(e) Receive quarterly reports on the prevention, detection and investigation of fraudulent activities or misconduct within the City and evaluate the related management responses.
(f) Consider significant matters reported by the Ethics and Forensic Services department.
(g) Annually evaluate the performance of the Ethics and Forensic Services department, and the adequacy of available resources, and review the quality of the Ethics and Forensic Services department.
(h) Ensure that the five-year External Quality Assurance review is completed and consider any remedial actions/enhancements implemented by the Ethics and Forensic Services department.
(i) Consider the results of work performed by the Ethics and Forensic Services department in relation to exposure to fraud, corruption and maladministration, and any significant investigations and monitor management responses thereto.
(j) Advise on the independence and effectiveness of the Ethics and Forensic Services department through:
    (i) Ensuring that no restrictions or limitations are placed on Ethics and Forensic Services in the performance of its functions; and
    (ii) Obtaining quarterly confirmation from the Chief: Ethics and Forensic Services regarding the independence, objectivity and competency of the Ethics and Forensic Services department.
(k) The APAC must review and recommend the Forensic Services Charter to the Executive Mayor and MayCo for approval at least every two years or as and when required.

6.11 Municipal Entities

The APAC will:
(a) Be cognisant of the governance arrangements as well as conflicting roles and functions that could impair the activities of the entities, given that the City is the parent entity.
(b) Consider the minutes of the meetings of the respective Audit Committees of the municipal entities and any other issues referred to it by the municipal entities.
(c) Provide feedback to Council regarding the Audit Committees of the municipal entities.

6.12 City Ombudsman

The APAC will advise the City Manager including EMT, the Executive Mayor together with MayCo and Council on the effectiveness of the City Ombudsman. In order for the APAC to render this advice, it will:
(a) Review arrangements made by the City to enable members of the public (including customers and suppliers) to lodge, in confidence, concerns and complaints about alleged injustice(s) and poor service delivery.
(b) Review in order to determine whether the City has appropriate mechanisms in place for an independent investigation of the concerns and complaints lodged by the public and whether any further action is necessary as a result of such complaints/reports.
(c) Receive quarterly reports on the investigation of complaints within the City and evaluate the related management responses.
(d) Consider significant matters reported by the City Ombudsman.
(e) Monitor the performance of the Office of the City Ombudsman, the adequacy of available resources and review the quality of the City Ombudsman activity on an annual basis.

(f) Consider the results of work performed by the City Ombudsman and monitor management responses thereto.
(g) Annually evaluate the performance of the Office of the Ombudsman, and the adequacy of available resources, and review the quality of the Office of the Ombudsman's activity.

6.13 Legal Services

The APAC will:
(a) After an annual evaluation of Legal Services, advise the City Manager including EMT, the Executive Mayor together with MayCo, and Council on the following:
   (i) performance of Legal Services (including the SDBIP);
   (ii) the adequacy of available resources (internal and external); and
   (iii) review the quality and effectiveness of the Legal Services activity and monitor management responses thereto.
(b) Consider the results of work performed by Legal Services on a quarterly basis, in relation to the mitigation of legal risks, High Court matters and other legal issues.
(c) Monitor the professionalism and quality of the in-house resources and service.

6.14 Other Responsibilities

(a) The Chief Audit Executive, Chief: Ethics and Forensic Services, Ombudsman, Director: Legal Services report administratively to the City Manager and functionally to APAC. For these reporting lines, the APAC shall:

   (i) Comment on the department's draft policies and by-laws and submit its recommendations to the Executive Mayor together with MayCo. It is the responsibility of the submitting department to ensure adherence to the City's Standard Operating Procedures applicable to policies and by-laws.
   (ii) Consider the department's draft business plans and SDBIPs as well as the adequacy of available resources (internal and external); and submit its recommendations to the Executive Mayor together with MayCo.
   (iii) Monitor the implementation and evaluate the performance of these departments' budgets, business plans, strategic objectives, policies and programmes in relation to the department's functional area, and report thereon to the Executive Mayor together with MayCo.
   (iv) Make recommendations with regards to the setting or revision of tariffs, levies, taxes and duties of the relevant department, which has previously been gazetted or approved by the Finance directorate, to the Executive Mayor.
(b) The City Manager may, where deemed appropriate, keep APAC appraised of matters relating to the recruitment, selection and disciplinary processes concerning the aforementioned staff.
(c) The APAC may perform other activities related to this ToR as directed by Council.

7 Reporting

(a) The APAC Chairperson shall report to the City Manager, the Executive Mayor together with MayCo and Council on its activities and any other matters arising from the above responsibilities, at least quarterly, subject to the obligation that matters of an administrative nature be reported to the City Manager. To this end, the minutes of all meetings of the APAC shall be submitted to the Executive Mayor together with MayCo and Council for noting, and will form part of the confidential agendas of both MayCo and Council. This should include:
   (i) Progress on the work performed by the City and the APAC against the annual work plan;
   (ii) Effectiveness of internal controls and additional measures that must be implemented to address identified risks;
   (iii) Key issues dealt with, such as significant internal and external audit findings, recommendations and updated status thereof;
   (iv) Any investigations and their outcomes;
   (v) Details of attendance by each APAC member; and
   (vi) Other matters requested of IA and the APAC.

(b) The APAC Chairperson (or, in his/her absence, an alternate member) shall, upon invitation, attend the relevant meeting with the City Manager, Executive Mayor and Council, to answer any questions concerning the quarterly reports, noting that matters of an administrative nature be directed to the City Manager.

(c) The APAC must provide an open avenue of communication between all assurance providers, EMT and Council.

(d) Should a report to the APAC, whether from IA or any other source, implicate the City Manager or the Executive Mayor in fraud, corruption or gross negligence, the APAC Chairperson must promptly report this to the Executive Mayor in the case of the City Manager and Council in the case of the Executive Mayor, and the AGSA in both instances.

(e) The APAC will report to Council on how it has fulfilled its duties during the financial year. This report is included in the Integrated Annual Report of the City and its entities.

(f) The APAC Annual Report for inclusion in the City's Integrated Annual Report should as a minimum include:
   (i) A summary of the role of the APAC;
   (ii) Whether the APAC has recommended a formal ToR for approval by the Executive Mayor together with MayCo, and whether the APAC has executed its responsibilities for the year in compliance with the ToR;
   (iii) The names, qualifications and areas of specialisation of all members of the APAC during the period under review and the period for which they served on the APAC;
   (iv) Number of APAC meetings held during the period and the attendance at these meetings;
   (v) A description of how the APAC carried out its functions in the period under review;
   (vi) A statement whether the APAC is satisfied with the independence of internal and external audit, based on their objective assessment of such independence, i.e. whether there had been interference in the functional aspect of the respective audit functions;
   (vii) Comment on the financial statements, the accounting practices and the internal financial control of the City, its entities and Fund;
   (viii) Information regarding any other roles assigned to the APAC by Council that are associated with an APAC, for example, interaction with other assurance providers;
   (ix) A statement on the expertise, resources and experience of the City's finance function;
   (x) Commentary on the City's PMS;
   (xi) Commentary on the quality of the management and monthly/quarterly reports submitted in terms of the MFMA and the DoRA;
   (xii) Any Council resolutions taken as well as the implementation status thereof as a result of APAC recommendations/advice throughout the year; and

(xiii) Other relevant matters that may enhance governance and accountability, including referrals by Council.

(g) The APAC should have regard to all factors and risks that may impact on the integrity of the Integrated Annual Report, aligned to its role and functions.

(h) The APAC must review the disclosure of sustainability issues in the Integrated Annual Report to ensure that it is reliable and does not conflict with the financial information.

(i) Consider any other reports the City issues that relate to APAC responsibilities.

(j) APAC will include in its Quarterly and Annual Reports to Council progress on the City's Anti-corruption and Municipal Integrity Management Framework and Ethics and Forensic Services (EFS) progress and effectiveness related to the requirements of the FS Charter.

(k) In relation to MPAC:

(i) The APAC must provide MPAC with comments on IA reports quarterly.

(ii) The APAC Chairperson must submit a report at least annually, or at other intervals, to the MPAC, for consideration during the MPAC engagements on the oversight report.

(iii) The APAC Chairperson must be available whenever MPAC needs clarity on the report of the APAC.

8 Meeting Procedures

(a) The Chairperson of the APAC may convene meetings.

(b) If the APAC Chairperson is absent from an APAC meeting, the members present must elect a Chairperson from amongst themselves to act as Chairperson for that meeting.

(c) Four (4) quarterly ordinary meetings are scheduled for the year. Four (4) special meetings are scheduled to deal specifically with the approval of the audit plan, adjustment audit plan, approval of the draft AFS and AGSA briefing on the audit outcomes.

(d) Additional special meetings may be held, if urgent matters need to be considered.

(e) Where additional special meetings are required:

(i) Requests should be coordinated via the CAE's office.

(ii) Such requests should be reserved for urgent and time-sensitive matters that require immediate attention and cannot wait until the next scheduled APAC meeting.

(iii) It should be noted that the cost will be for the requesting directorate's cost centre.

(f) Any member or attendee that has conflicting interests must be excluded from the meeting for the duration of the specific meeting or item under discussion if APAC believes there is sufficient reason or justification for doing so.

(g) The quorum for decisions of the APAC shall be three (3) members of the APAC present. Whenever during a meeting there is no quorum, the proceedings shall be suspended and dealt with in terms of the applicable Rules of Order of the Section 79 and 80 Committees of the Council of the City of Cape Town. Whenever a meeting of the APAC is suspended because of a lack of quorum, the City shall not be obliged to pay APAC members for related costs incurred by attending APAC members.

(h) The Chairperson of the APAC may invite any other person that the committee deems appropriate. Individuals in attendance at APAC meetings by invitation may participate in discussions but do not form part of the quorum for APAC meetings.

(i) In exceptional circumstances, members of the APAC may participate in a special meeting via appropriate medium on special circumstances being shown and with the approval of the APAC Chairperson. Where a member requests permission to participate via an alternative medium, s/he will be required to complete a separate confidentiality statement, confirming that no other person shall be present and/or in a position to listen in to the discussions of the special meeting.

(j) Reasonable notice of meetings and the business to be conducted shall be given to APAC members. Electronic agendas must be distributed at least 72 hours prior to a meeting for preparation purposes. Executive Committee Services (ECS) will at all times strive to circulate Volume 1 no later than 5 working days before the meeting. Any late reports approved by the Chairperson for inclusion on the agenda will form part of subsequent volumes.

(k) The following persons must have a standing invitation to all meetings:
   (i) MayCo member for Finance;
   (ii) AGSA;
   (iii) City Manager and EMT; and
   (iv) Director: Legal Services, CAE, Director: Risk and Resilience, City Ombudsman and Chief: Ethics and Forensic Services, or their nominees.
(l) The APAC must establish an annual work plan for each financial year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
(m) All APAC members must be thoroughly prepared for the APAC meetings and must attend each of the compulsory quarterly meetings of the APAC insofar as reasonably possible.
(n) Voting
   (i) Only committee members are entitled to vote.
   (ii) Voting shall be by show of hands unless decided by all members that it may be by secret ballot.
   (iii) The Chairperson shall have a deliberative and a casting vote in the event of a tie.
   (iv) If a member wishes to dissent or protest against a decision, s/he may request that it be recorded in the minutes and may also elect to make a separate written dissenting submission as part of the official minutes for the record and for submission to Council.
(o) The function of the APAC Chairperson is to ensure that meetings are conducted in a dignified and orderly manner.
(p) The APAC Chairperson should be able to lead constructive dialogue with management, Director: Legal Services, CAE, Director: Risk and Resilience, City Ombudsman, Chief: Ethics and Forensic Services, and the AGSA.
(q) The APAC shall meet annually with the internal and external auditors respectively – without management being present – to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.
(r) The City Manager, EMT, Director: Legal Services, CAE, Director: Risk and Resilience, City Ombudsman and Chief: Ethics and Forensic Services shall have unrestricted access to the APAC Chairperson or any other member of the APAC as is required and within reason.
(s) The APAC will meet with the City Manager quarterly, and with the Executive Mayor twice a year, to discuss issues of concern. Additional meetings may be scheduled as and when required.
(t) The APAC may meet separately with the following persons to discuss any confidential matters, as required:
   (i) AGSA;
   (ii) Director: Legal Services;
   (iii) CAE;
   (iv) Director: Risk and Resilience;
   (v) City Ombudsman; and
   (vi) Chief: Ethics and Forensic Services.
(u) Secretarial/Administrative Services/Technical Services:
   (i) Secretarial services to the APAC shall be rendered by Executive Committee Services.
   (ii) The Chairperson and Executive Committee Services, assisted by IA, will be responsible for compiling the meeting agendas.
   (iii) Executive Committee Services will prepare and distribute it timeously in line with 9(j).
   (iv) Urgent items that have not met the submission deadlines and that are not on the published agenda, should be provided to the Chairperson before the start of the meeting. The Chairperson will only table the item if the APAC members present agree to add it to the agenda.
   (v) Scheduled meetings of the APAC, excluding one-on-one meetings/briefing sessions with stakeholders and other similar meetings, shall be formally minuted by the appointed Executive Committee Officer.
   (vi) The meeting minutes shall be reviewed and approved by the members of the APAC at the

first ordinary subsequent meeting.

(vii) Legal advisory services to the APAC shall be rendered by the City's Legal Services department, as and when required.

(v) Unless varied by this ToR, meetings and proceedings of the APAC will be governed by the latest edition of the Rules of Order Regulating the Conduct of Meetings of Section 79 and 80 Committees of the Council of the City of Cape Town (read with the necessary interpretive changes, e.g. APAC members may need to deliberate on matters until they are comfortable with the proposed recommendation), which regulates the meetings and proceedings of Council's Committees.

9 Performance Evaluation

(a) The APAC will self-assess and evaluate its performance and achievements of both the APAC, as a collective, and that of its individual membership on an annual basis.

(b) APAC will engage on the outcomes of the self-assessment and where required, develop improvement plans. At the same time, APAC will engage with the performance and contribution of individual members.

(c) The findings of the self-assessment and any improvement plans must be presented to the Executive Mayor together with MayCo and Council.

(d) Where the self-assessment highlights a need for enhancements to the role, operational processes or membership of the APAC, the APAC Chairperson should act to ensure that such enhancements, upon approval by Council, are implemented.

(e) In addition, the effectiveness and efficiency of the APAC will be monitored by the Executive Mayor together with MayCo and Council annually.

(f) Notwithstanding the self-assessment referred to above, the City may arrange to have independent assessments of the efficiency, effectiveness and objectivity of the APAC done on an ad hoc basis.

10 Dispute Resolution

Matters which cannot be satisfactorily resolved at an APAC meeting will be escalated to the City Manager, Executive Mayor or Council, as applicable.

11 Approval, Amendment, Modification or Variation

(a) This ToR may be reviewed annually or as regularly as deemed appropriate.

(b) Amendments to the ToR are subject to approval by the Executive Mayor together with MayCo and will be applicable from date of approval until amended.

(c) The approved ToR will be published on the municipal website to promote awareness to all stakeholders.

12 Glossary

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
APAC	Audit and Performance Audit Committee
CAE	Chief Audit Executive
City	City of Cape Town Municipality
Committee	Any reference to "the committee" refers to the Audit and Performance Audit Committee
Council	Municipal Council
DoRA	Division of Revenue Act
ED	Executive Director
EMT	Executive Management Team (Top Management)
EFS	Ethics and Forensic Services
Fund	Cape Metropolitan Transport Fund
GCA	Governance and Combined Assurance
IA	Internal Audit
IDP	Integrated Development Plan
IIA	Institute of Internal Auditors
IT	Information Technology
MayCo	Mayoral Committee
MFMA	Local Government: Municipal Finance Management Act, Act 56 of 2003
MPAC	Municipal Public Accounts Committee
MPPMR	Local Government: Municipal Planning and Performance Management Regulations (2001)
MSA	Local Government: Municipal Systems Act, Act 32 of 2000
NT	National Treasury
OPMS	Organisational Performance Management System
PFMA	Public Finance Management Act, Act 1 of 1999
PMS	Performance Management System
RiskCo	Risk Management Committee
SDBIP	Service Delivery and Budget Implementation Plan
Standards	Global Internal Audit (GIA) Standards
ToR	Terms of Reference