



national film and video foundation  
SOUTH AFRICA

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an agency of the  
**Department of Arts and Culture**

## **NATIONAL FILM AND VIDEO FOUNDATION AUDIT**

### **AND RISK COMMITTEE CHARTER**

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### APPROVAL

The signatories hereof, confirm their acceptance of the content and authorize the adoption thereof.

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Signature: Chairperson - Audit Committee

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Signature: Chairperson - Council

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Date

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## DEFINITIONS

**“Accounting Authority”** means the controlling body appointed in terms of section 49 of

the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999), which in the case of the NFVF is the Council.

**“Audit & Risk Committee”** means the sub-committee of the Council, duly appointed by the Council, and charged with oversight responsibilities over internal and external audit functions, risk management, financial reporting and other matters as outlined in the PFMA and Treasury Regulations.

**“PFMA”** means the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999).

**“TR”** means the Treasury Regulations.

**“Organisation”** means the National Film and Video Organisation, a statutory body created in terms of section 2 of the NFVF. The term “organisation” is used interchangeably with “NFVF”.

#### **ABBREVIATIONS**

CEO	Chief Executive Officer
CFO	Chief Financial Officer
HOD	Head of Department
IT	Information Technology
PFMA	Public Finance Management Act NFVF
	National Film and Video Foundation TR
	Treasury Regulation

## **1. AUDIT & RISK COMMITTEE CHARTER**

### **1.1. PURPOSE AND OBJECTIVES**

The primary purpose of the NFVF Audit & Risk Committee is to assist the Council in fulfilling its fiduciary oversight responsibilities relating to the NFVF's activities, are prescribed in terms of the NFVF Act and the PFMA.

The Audit & Risk Committee fulfils an advisory role to the Council, specifically in matters relating to:

- The operations of adequate system of internal control (financial, operational and compliance) that management have established;
  - The safeguarding of assets
  - Adequacy, reliability and accuracy of financial reporting and information;
  - The integrity of financial reporting and other information provided by the organisation to the shareholder and other stakeholders;
  - Risk management;
  - Performance management and reporting; and
  - Statutory and regulatory compliance.
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- Consistent with its function, the Audit & Risk Committee should encourage continuous improvement of, and foster adherence to the organisation's corporate governance and accounting policies, procedures, and practices at all levels. The Audit & Risk Committee's primary objectives are to:
  - Serve as an independent and objective party to monitor and strengthen the objectivity and credibility of the organisation's financial reporting process and internal control system;
  - Communicate with the audit functions, and review and appraise the work of the external and internal audit functions;

- Facilitate an open avenue of communication between senior management, the external auditors, the internal audit function, and the Executive;
- and
- Make appropriate recommendations, based on the committee's assessment, to the Council.

The Audit & Risk Committee will primarily fulfil these responsibilities by carrying out the activities enumerated in Section 1.6 of this manual.

## **1.2. AUTHORITY**

- 1.2.1 The Council supports and endorses the Audit & Risk Committee which operates as a sub-committee of the Council, independent of management influence and free of any impairment of objectivity;
- 1.2.2 The Council has an oversight responsibility which the Audit & Risk Committee assists in fulfilling as delegated by Council
- 1.2.3 The Audit & Risk Committee has unrestricted access to all information, including the organisation's records, property and personnel, and must be provided with adequate resources in order to fulfil its oversight responsibilities;
- 1.2.4 The Audit & Risk Committee is authorised by the Council to:
  - Investigate any activities within its terms of reference;
  - Seek outside legal or other independent professional advice;
  - Secure the attendance at Audit & Risk Committee meetings of outsiders with the relevant experience and expertise where necessary, at the organisation's expense;
  - Seek any information it requires from any employee; and

- Incur such expenses as may be deemed necessary for the proper execution of its functions.

### **1.3. MEMBERSHIP**

#### **1.3.1. Composition**

1.3.1.1 The Audit & Risk Committee must be constituted to ensure its independence;

1.3.1.2 The Audit & Risk Committee shall be appointed by the Council and shall comply with the following membership composition guidelines:

- Consist of five (5) members of which three (3) should be independent members and two (2) would be representatives nominated by Council;
- The Committee must consist of a minimum of three (3) members to conduct its oversight responsibilities;
- At least one member must be from outside the public service [PFMA s77 (a)(i)];
- The Committee must be large enough to represent a balance of views and experience, yet small enough to operate efficiently;
- The majority of Audit & Risk Committee Members shall consist of non-Council Members, [TR 27.1.4] and may not be in the employ of the state;
- The majority of members must be financially literate [TR 27.1.4].
- The Committee must have a variety of skills and as a pre-requisite, at least one of the members must have information technology expertise to provide oversight on information and communications (ICT) matters.

1.3.1.3 The Audit & Risk Committee must be presided over by a Chairperson who:

- must be independent from the Council and operations of the entity, be knowledgeable of the status of the position and have the requisite business, financial and leadership skills. [TR 27.1.3];
- must not be the Chairperson of the Council or a person who fulfils an executive position in the organisation. [TR 27.1.3]; and
- In his/her absence shall assign another member to act as Chairperson.

#### **1.3.2. Required member attributes:**

- Each member of the Audit and Risk Committee shall be capable of making a valuable contribution to the Committee;
- Attributes include integrity, understanding of the NFVF and its products and services, knowledge of the organisation's risks and controls, independent judgment, dedication and commitment;
- Members of the Committee must be financially literate and have the ability to read and understand basic financial reports;
- Other crucial skills to be considered are Legal, IT and Risk, to enhance the capacity of the Committee.

#### **1.3.3. Appointment and duration of membership**

- The Council shall appoint the Chairperson and members of the Audit & Risk Committee; and
- Majority of the members of the Audit & Risk Committee must be appointed on an independent basis.

#### **1.3.4. Duration of membership**

Members of the Committee shall be appointed for a three-year term of office which must be aligned to the Council term of office.

#### **1.3.5 Term of office**

Members should not be appointed continuously for a period exceeding six years (two terms in office). After serving continuously for the two terms, a cooling period of two years should be allowed before appointing the same member to the same Committee.

### **1.3.5. Voting powers**

Voting is open only to the members of the Committee.

### **1.3.6. Termination of membership**

The Audit and Risk Committee appointment is in terms of the PFMA and Treasury Regulation to perform governance work and there shall not be any premature termination of any member's services without any valid reasons. The Council is therefore required to ensure that, when it takes a decision that will result in premature termination of the service of any member of the Audit and Risk Committee, it does that in concurrence with the relevant executive and oversight authority [TR 27.1.5].

## **1.4 RELATIONSHIP WITH THE COUNCIL AND MANAGEMENT**

The Council sets the tone and has ultimate accountability for the system of internal control and the financial reporting environment. However, direct responsibility for the implementation of the appropriate systems is delegated to management, who define the appropriate system of internal control and procedures and employ adequately qualified and skilled personnel to implement such systems and procedures.

### **1.4.1. Relationship with the Council**

The Audit and Risk Committee has a responsibility to understand the nature of the organisation's operations, as well as the applicable system of internal controls and procedures, in order to exercise broad but effective supervision on behalf of the Council. This implies the following responsibilities relating to the Council:

- Asking appropriate questions and insisting on forthright responses;
- Ensuring that the Council makes informed decisions and is aware of the implications of such decisions regarding accounting policies, practices, and disclosures;
- Generally providing as much assistance and information to the Council as possible to enable it to appropriately discharge its responsibilities; and
- Reporting its actions and making recommendations to the Council

[TR 27.1.7 (a)].



#### **1.4.2. Relationship with Management**

The Audit & Risk Committee Members should have open communication with management and unrestricted access to senior management, and should clearly understand management's assessment of, and response to, any high-risk areas and internal and external audit activities, if any, related to these risks. This communication is facilitated through the organisation's management.

### **1.5 MEETINGS**

#### **1.5.1. Frequency**

The PFMA requires a minimum of two Audit & Risk Committee meetings per year. The Audit & Risk Committee should, however, ensure as a rule that they meet at least three times a year or as frequently as circumstances require. Meetings of the Committee shall generally correspond with major phases of the financial reporting, external and internal audit cycles. All this should ensure alignment with the Audit and Risk workplan.

#### **1.5.2. Timelines for the distribution of meeting documents**

Management should ensure that the meeting packs are circulated to Committee members at least seven (7) days before the meeting.

#### **1.5.3. Minutes**

The Company Secretary shall provide support to the Committee and ensure that the minutes of each meeting are recorded and circulated for inputs by Committee members.

#### **1.5.4. The Chairperson's Report**

The Chairperson of the Committee shall present the Chairperson's Report at Council meetings as a high-level overview of the activities of the Committee.

#### **1.5.5. Quorum**

The quorum of the Committee shall be 50% plus 1 of the overall members, with emphasis on external members be in the majority to safeguard the independence of the Committee. In the absence of the appointed Chairperson, she/he can delegate any independent member to represent her/him, or members can nominate an independent member.

#### **1.5.6. Attendance**

The following persons shall have standing invitations to the Audit and Risk Committee:

- 1.5.6.1. Chief Executive Officer;
- 1.5.6.2. Chief Financial Officer;
- 1.5.6.3. Representatives from the Internal Audit function;
- 1.5.6.4. Representatives from the Office of the Auditor-General/external auditors.

The attendance by the following persons to the Audit and Risk Committee is by invitation:

- Any other member of NFVF;
- Other relevant persons at the discretion of the Committee.
- Members of the Audit and Risk Committee are expected to attend the meetings unless they have submitted their apology with the Company Secretary or the Chairperson of the Committee.
- The Audit and Risk Committee shall discuss and report to the Council any of its members who have missed three consecutive meetings without valid reasons.

### **1.6. RESPONSIBILITIES AND DUTIES**

#### **1.6.3. Fundamental Responsibilities**

The Audit & Risk Committee must assume the following fundamental responsibilities:

- 1.6.3.1. Consider and approve an Internal Audit Charter to guide the
- 1.6.3.2. internal audit approach and its modus operandi, which should spell out the rules that govern the internal audit relationship;

- 1.6.3.3. Assessing the processes related to the Organisation's risks and internal control environment;
- 1.6.3.4. Overseeing the financial reporting process;
- 1.6.3.5. Evaluating the internal and external audit functions;
- 1.6.3.6. Overseeing the IT governance and systems;
- 1.6.3.7. Ensuring that the combined assurance model is applied to provide a coordinated approach to all assurance providers, and ensuring that the assurance received is appropriate to address all significant risks;
- 1.6.3.8. Ensuring that the combined assurance model enables contributions and inputs from all relevant stakeholders, including the Executive team, senior management, the Council and its relevant Committees as well as Internal and External Auditors
- 1.6.3.9. Reviewing organisational policies and exercising oversight on their implementation;
- 1.6.3.10. Fostering and improving open communication and contact among relevant stakeholders of the organisation;
- 1.6.3.11. Performing any other function as requested by the Council; and
- 1.6.3.12. Report and make recommendations to the Council.

#### **1.6.4. Document Review**

To fulfil its responsibilities and duties, the Audit & Risk Committee shall review key documents/reports including:

- 1.6.4.1. The organisation's strategic plan and strategic management processes;
- 1.6.4.2. The Audit and Risk Committee charter at least annually, or as necessary;
- 1.6.4.3. The organisation's annual financial statements which shall be reviewed before the mandatory submission date of 31 May each year as well as after the audit adjustments have been effected by management prior to the signing of the Audit Report on 31 July each year; and

- 1.6.4.4. Any other relevant financial information submitted to any governmental body, or public, including any investigation, review, report or opinion rendered by the external/internal auditors.

#### **1.6.5. Risk management**

The Audit and Risk Committee shall:

- 1.6.5.1. Assist the Accounting Authority in ensuring effective, efficient and transparent systems of risk management;
- 1.6.5.2. Review the Organisation's Strategic Risk Register at each of its quarterly meetings or as necessary;
- 1.6.5.3. Review and examine the methodology that is utilised in the process of conducting strategic and operational risk identification; and
- 1.6.5.4. Review the overall strategy and measures in place for managing and mitigating against all identified Organisational risks.

#### **1.6.6. Internal controls**

- 1.6.6.1. The Audit and Risk Committee shall endeavour to understand the organisation's key risk areas and the corresponding internal control systems;
- 1.6.6.2. The Committee shall ensure that management creates an appropriate internal control system which incorporates proper recordkeeping that is designed to prevent the occurrence of errors and/or irregularities, and which is able to timeously detect such errors and/or irregularities so as to safeguard the assets and the operations of the organisation;
- 1.6.6.3. The Committee shall ensure that management demonstrates the necessary respect for the internal control systems of the Organisation and that such systems are utilized efficiently and appropriately whenever necessary and endeavour to mitigate, eliminate or reduce

- all identified Organisational risks to an acceptable level; and
- 1.6.6.4. The Committee shall monitor and evaluate the effectiveness of the internal control system of the Organisation through the results and the outcomes of internal and external audits as shall be set out in the corresponding reports.

#### **1.6.7. Financial and Performance reporting process**

The Audit and Risk Committee shall review, evaluate, and consider the following:

- 1.6.7.1. The integrity of the organisation's financial reporting processes; The organisation's accounting policies or any major changes in policies that management shall consider making;
- 1.6.7.2. Any and all significant decisions that have a major impact on the financial statements, including the adequacy of provisions;
- 1.6.7.3. The organisation's financial statements; for accuracy, reasonableness, and completeness;
- 1.6.7.4. The annual financial statements; for compliance with accounting standards, and statutory requirements;
- 1.6.7.5. The treatment of significant accounting, auditing or disclosure issues highlighted by the auditors and management, and how these were resolved;
- 1.6.7.6. The external auditors' opinion on the quality and appropriateness of the organisation's accounting principles as applied in its financial reporting;
- 1.6.7.7. Any significant adjustments resulting from the external audit; and
- 1.6.7.8. The performance of management in terms of financial reporting

#### **1.6.8. Risk management**

The Audit & Risk Committee shall assess whether the following Organisational factors, which could increase the risk of fraudulent activities, are effectively managed:

- 1.6.8.1. The business and economic environment of the Organisation;
- 1.6.8.2. The financial liquidity of the organisation;
- 1.6.8.3. Management's reputation, skills, integrity and experience;

- 1.6.8.4. The relationship of management with audit functions;
- 1.6.8.5. Conflict of interest;
- 1.6.8.6. Fraud risk assessment framework; and
- 1.6.8.7. The fraud prevention plan
- 1.6.8.8. Strategic risk assessment and quarterly risk mitigation and monitoring
- 1.6.8.9. Business continuity issues on a yearly basis

#### **1.6.9. Information and Communications Technology (ICT) Governance**

The Audit & Risk Committee shall:

- 1.6.9.1. Ensure the organisation's ICT strategy is aligned to the overall business objectives;
- 1.6.9.2. Review the organisation's ICT strategy and governance framework on an annual basis;
- 1.6.9.2. Ensure best practice ICT solutions; and
- 1.6.9.3. Ensure that adequate cyber security measures, business continuity and disaster recovery plans are in place to ensure the safeguarding of all business information of the organisation.

#### **1.6.10. Process improvement**

The Audit & Risk Committee shall:

- Ensure regular and separate systems of reporting to the Audit & Risk Committee by senior management, the external auditors and the internal auditors regarding any significant judgements made and the view of each as to appropriateness of such judgments; and
- Review through external audit, internal audit and management reports, the extent to which changes or improvements in financial accounting practices, processes and controls as approved by the Audit & Risk Committee, have been implemented. This review shall be conducted at an appropriate time after the implementation or changes of

improvements, as decided by the Committee.

#### **1.6.11. Ethical and legal compliance**

The Audit & Risk Committee shall:

- 1.6.11.1.** Review compliance with legal and regulatory provisions [TR 27.1.8(f)], as well as compliance with ethics, policies and procedures that may have a material impact on the organisation including the finance policies, ICT policy, funding policy, whistle-blowing policy and all other applicable policies within the purview of the Committee;
- 1.6.11.2. Review significant cases of employee conflicts of interest, misconduct, or fraud, and the resolution of such cases;
- 1.6.11.3. Review the internal audit reports concerning any compliance reviews;
- 1.6.11.4. Periodically review the organisation's Code of Conduct and ensure that management has established a system to enforce the same code;
- 1.6.11.5. Review management's monitoring of compliance with the organisation's Code of Conduct;
- 1.6.11.6. Ensure that management has the proper review system
- 1.6.11.7. in place to ensure that any activities, reports, and other financial information disseminated meets legal requirements;
- 1.6.11.8. Review any legal matters that could have a significant impact on the organisation; and
- 1.6.11.9. Ensure that there is preservation of institutional memory, the Committee should be able to strongly recommend that at least one member is retained for continuity purposes.
- 1.6.11.10. Perform any other activities consistent with the manual, and governing law, as the Committee or the Council

deems necessary or appropriate.

#### **1.6.12. Responsibilities related to the Internal Audit Function**

The Audit & Risk Committee shall:

- 1.6.12.1. Review and approve the internal audit charter;
- 1.6.12.2. Provide an opinion and guidance regarding the appointment or removal of the internal audit service provider;
- 1.6.12.3. Review the activities, organisational structure, and qualifications of the internal audit service provider;
- 1.6.12.4. Ensure that the internal auditors perform their responsibilities and duties effectively;
- 1.6.12.5. Inform the internal auditors of any specific matters requiring special attention;
- 1.6.12.6. Review and approve internal audit plans, scope of audits and budgets;
- 1.6.12.7. Review the risk areas of the Organisation's operations to be covered in the scope of an internal audit **[TR 27.1.8(c)]**;
- 1.6.12.8.** Review the results of any internal audit work performed;
- 1.6.12.9. Review any quality assurance reviews performed on the work produced by an internal audit;
- 1.6.12.10. Ensure internal audits comply with the relevant rules and regulations;
- 1.6.12.11. Ensure that the internal audit service provider maintains its independence.
- 1.6.12.12. Ensure in-committee meetings with Internal Audit are in place and oversee functionality.
- 1.6.12.13. Review the internal audit reports to management, and management's response to recommendations **[TR 27.1.8(g)]**; and
- 1.6.12.14. Review the effectiveness of internal audits **[TR 27.1.8 (b)]**.



### **1.6.13. Responsibilities related to the External Auditors**

The Audit and Risk Committee shall:

- 1.6.13.1. Review the independence and objectivity of the external auditors **[TR 27.1.8(h)];**
- 1.6.13.2. Review and approve the fees and other compensation to be paid to the external auditors;
- 1.6.13.3. Review and ensure that the audit plan and scope sufficiently address the risk areas of the organisation's operations **[TR 27.1.8(c)];**
- 1.6.13.4. Periodically consult with the external auditors about internal controls and the completeness and accuracy of the organisation's financial statements;
- 1.6.13.5. Review any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information, separately or together with senior management and the external auditor(s) as may be necessary;
- 1.6.13.6. Review the external audit reports to management and management's response thereto;
- 1.6.13.7. Review any significant disagreement between management and the external audit in connection with the content of any report;
- 1.6.13.8. Evaluate the performance of the external auditors; and
- 1.6.13.9.** Meet at least once a year with the Auditor-General or external auditor, whichever is applicable, to ensure that all outstanding findings, queries or issues are ultimately resolved **[TR 27.1.13].**

### **1.6.14. Audit & Risk Committee reporting**

The Audit and Risk Committee shall:

- 1.6.14.1. Report its actions, activities and make recommendations to the Council **[TR 27.10(a)];**

- 1.6.14.2. Report on the effectiveness of internal controls in the annual report. **[TR 27.1.10 (b)]**;
- 1.6.14.3. Comment on its evaluation of the financial statements in the annual report. **[TR 27.1.10 (c)]**;
- 1.6.14.4. Promptly report, through the Chairperson of the Committee, any member(s) of the Council implicated in fraud, corruption or gross negligence, to the relevant Executive Authority and the Auditor-General **[TR 27.1.11]**;
- 1.6.14.5. Communicate all concerns to the Executive Authority and the Auditor-General **[TR 27.1.12]**; and
- 1.6.14.6. Disclose, in the annual report, whether it has adopted formal terms of reference, and if so, whether the Committee satisfied its responsibilities for the year in compliance with the terms of reference. **[TR 27.1.7]**.

## **1.7 TRAINING AND ASSESSMENT**

- 1.7.1 The Audit & Risk Committee Members should be provided with sufficient information and training to effectively meet their responsibilities;
- 1.7.2 The Audit & Risk Committee and Council shall conduct assessment or evaluation of each member on an annual basis. The performance assessment tool with relevant governance elements must be utilized for the assessment;
- 1.7.3 The Committee Chairperson shall assess the performance of individual Committee Members, and the Council should evaluate the Committee's Chairperson;
- 1.7.4 The performance evaluation of the Committee Chairperson and Members shall include the following measurement criteria:
  - Expertise;
  - Inquiring attitude, objectivity, and independence;
  - Use of judgment;
  - Understanding the administration of the organisation;

- Understanding of, and commitment to, the Committee's duties and responsibilities;
- Willingness to devote the time needed to prepare for and participate in Committee deliberations;
- Timely responses;
- Attendance at meetings.

1.7.5 Management, internal and external audits shall form part of the Audit & Risk Committee evaluation; and

1.7.6 After the completion of the evaluation process, the Committee shall review the results together with the Council, so that appropriate decisions and actions may be taken on recommendations resulting from the review.

## **1.8 GENERAL**

### **1.8.1 Conflict of interest and confidentiality**

- The Committee Members are obliged to disclose any interests they have within the organisation or outside the organisation that might interfere with the performance of their duties;
- Any organisation related information that comes to light during the performance of their duties must be kept confidential;
- The Audit & Risk Committee shall safeguard all information supplied to it within the ambit of the law **[TR 27.1.9]**;
- The members shall be remunerated in line with the applicable rates as prescribed by National Treasury.

### **1.8.2 Indemnity of members**

- The Committee Members are obliged to, and shall use reasonable skill and care in the provision and delivery of their services and the deliverables as required by the Charter;

- The Committee shall issue its reports and make recommendations in good faith and based on information available to it at the time. Accordingly, no statement in any report, memorandum, letter or any other document issued or adopted by the Committee, is to be deemed to be a representation, undertaking, warranty or guarantee and the Committee is not liable for any claim whatsoever should such statement prove inaccurate;
- Should it be determined that the Committee Members acted negligently at any point, the Accounting Authority may terminate the services of any or all of the Audit and Risk Committee Members; and
- The Committee members are indemnified from being held personally liable for legal decisions taken for the best interest of NFVF in executing their mandate as per this Audit Committee Charter.

## **1.9 ANNUAL REVIEW**

The Charter will be reviewed by the Committee annually and approved by the Council.