



AUDIT AND RISK COMMITTEE
("THE COMMITTEE")
CHARTER

Table of Contents-

1. Introduction.....	3
2. Purpose.....	3
3. Authority.....	3
4. Responsibilities.....	4
4.1 Financial reporting.....	4
4.2 Risks and controls.....	4
4.3 Compliance with laws and regulations.....	5
4.4 External auditors.....	5
4.5 Internal audit and other assurance providers.....	6
4.6 Other.....	7
5. Composition and Chair.....	7
6. Meetings.....	8
6.1 Quorum and Voting.....	8
6.2 Meeting attendees.....	8
6.3 Meeting frequency.....	8
6.4 Notice of Meetings.....	8
7. Committee operating principles.....	9
7.1 Communications.....	9
7.2 Education/orientation.....	9
7.3 External resources.....	9
7.4 Annual plan.....	9
7.5 Expectations and information needs.....	9
7.6 Reporting to the Board of Directors.....	10
7.7 Self-assessment.....	10

1. Introduction

The Audit and Risk Committee (the Committee) is constituted as a sub-committee of the Board in accordance with *King IV's* best practice requirements. The overall objective is to ensure a high level of corporate governance throughout the Compliance Institute Southern Africa ("the Institute"). The Charter sets out the framework within which the Committee will operate to make a positive contribution to the Institute and to enable the Board to provide the necessary assurances to its stakeholders.

The guiding principles of the Committee are primarily accountability and independence.

2. Purpose

The Committee's role is to act on behalf of the Board and oversee all material aspects of the Institute's financial reporting, risk management, internal control and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The Committee undertakes the following functions:

- Maintaining oversight of the integrity of the Institute's statutory financial reports and statements;
- Monitoring the performance of the external audit, internal audit and other assurance providers activities of the Institute;
- Monitoring that management has an appropriate framework in place to identify and effectively manage risk and that management ensures that the Institute operates in accordance with the enterprise risk and assurance framework;
- Monitoring compliance with regulatory, contractual and legal requirements;
- Reviewing compliance with internal guidelines, policies and procedures and other prescribed internal standards;
- Coordinate with other Board committees and maintenance of strong, positive working relationships with management, external auditors, internal auditors, other assurance providers, legal counsel and other committee advisors.

3. Authority

The Board has authorised the Committee, within the scope of their duties and responsibilities set out in this Charter, to:

- Appoint and manage the external auditor, internal auditor and any other outsourced assurance providers;
- Approve any professional advisors that the Committee may require to assist in their duties;
- Approve annual internal audit and any the outsourced assurance providers plans for recommendation to the board;

- Make recommendations to the Board;
- Approve policies as determined by the Board;
- Require the attendance of any employee at meetings as appropriate;
- Have unrestricted access to staff and information considered relevant to responsibilities under this Charter; and
- Investigate other matters brought to its attention or requested by the Board.

4. Responsibilities

4.1 Financial reporting

- Review with management and the external auditors the results of the annual audit, including any difficulties or disputes with management, any significant changes in the audit plans, the rationale for adoptions of and changes in accounting principles, and soundness of accounting estimates requiring significant judgments;
- Approve changes in important accounting principles and the application thereof in both interim and annual financial reports;
- Assess whether the annual financial statements reflect appropriate accounting principles;
- Discuss, review and assess the key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditors' views and the basis for audit conclusions;
- Discuss, review and assess the annual financial statements with management and the auditors before they are released to the public or filed with funders or regulators; and
- Advise financial management and external auditors that they are expected to provide a timely analysis of significant current financial reporting issues and practices.

4.2 Risks and controls

- the related findings and recommendations of internal and external auditors, together with Approve the risk management framework.
- Review and assess the Institute's implementation of the risk management framework, including the adequacy of the overall control environment and controls in selected areas representing significant risk.
- Review significant risks and exposures and the plans to minimise or respond to them;
- Assure that management is setting the appropriate tone in communicating the importance of internal controls and establishing policies and procedures to mitigate risk;
- Review and assess the Institute's system of internal controls for detecting accounting and financial reporting errors, fraud and defalcations, legal and tax code violations, non-compliance with regulatory requirements and the Institute's code of conduct, any non-financial risks;
- Review management's responses and progress in closing out the items;

- Determine which aspects of internal control and compliance procedures are being tested annually by the internal auditors, external auditors and other assurance providers;
- Review the results of the annual audits of directors' and officers' expense accounts and management perquisites prepared by the external or internal auditors;
- Identify best practices and develop and recommend corporate governance principles applicable to the Institute.

4.3 Compliance with laws and regulations

- Review and recommend the Compliance Framework to the Board for approval;
- Review any (periodic) amendments to the Compliance Framework;
- Authorise the appropriate assurance providers to perform unrestricted reviews relating to regulatory compliance risk within the Institute;
- Ensure that the Institute sets standards for achieving compliance with the relevant regulatory requirements in line with industry standards and norms;
- Ensure that the Institute standards for achieving compliance are effectively communicated;
- Review compliance monitoring plans to ensure that it is in line with the Institutes and industry standards and norms;
- Ensure that monitoring of compliance risks is conducted in line with the Institutes and industry standards and norms;
- Ensure that any non-compliance with Regulatory Requirements are reported in a timely manner to relevant governance structure;
- Ensure that information on the level of compliance with laws and regulations or supervisory requirements are readily available;
- Review any significant compliance risk matters reported on by assurance providers and monitor progress in rectifying these matters;
- Review any significant disagreements between management and assurance providers regarding compliance risk; and
- Assess the adequacy and effectiveness of the compliance procedures, approach or programmes.

4.4 External auditors

- Recommend the selection of the external auditors for approval by the Board of directors.
- Review the external auditor appointment, scope and plans and recommend to the Board for approval. The external auditor appointment is approved by the members of the Institute at the Annual General Meeting.
- Inform the external auditors that they are responsible to the Board of directors and the Committee as representatives of the Institute. In that regard, confirm that the external auditors will report all relevant issues to the Committee in response to agreed-upon expectations.
- Review the performance of the external auditors.

- Obtain a formal written statement from the external auditors as to their independence. Additionally, discuss with the auditors any relationships or non-audit services that may affect their objectivity or independence.
- Consider, in consultation with the external auditors, their audit scopes and plans to ensure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.
- Review requests for any audit-related or non-audit services to be performed by the external auditors, and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter.
- Review with management and the external auditors the results of the annual audit and related comments in consultation with other Committees as deemed appropriate, including any difficulties or disputes with management, any significant changes in the audit plans, the rationale behind adoptions and changes in accounting principles, and accounting estimates requiring significant judgments.
- Provide a medium for the external auditors to discuss with the Committee their judgments about the quality, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the organization.
- Discuss the significant findings of the audit including:
 - Critical accounting policies and practices used by the Institute
 - Alternative accounting treatments within generally accepted accounting principles related to material items that have been discussed with management
 - Other material written communications between the accounting firm and management (e.g., management representation letters, engagement letters, etc.)
- Review with the external auditors the audit firm's quality control policies and procedures and any other material issues raised by the most recent internal quality control review of the firm.

4.5 Internal audit and other assurance providers

- Approve the internal audit and other assurance providers charter.
- Approve decisions regarding the appointment and removal of the internal auditors and/or other assurance providers.
- Approve the annual internal audit and assurance plan and all major changes to the plan.
- Review the internal auditor's and other assurance providers' performance relative to its plan.
- Review the internal audit and other assurance providers' budget, activities, and performance at least once per year.
- Review the effectiveness of the internal auditors and other assurance providers', including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing and the relevant assurance providers' generally accepted standards.

- Meet separately with the internal auditors and/or other assurance providers' to discuss any matters that the Committee, internal audit or other assurance providers' believes should be discussed privately.

4.6 Other

- Establish and monitor procedures for the receipt, retention and treatment of complaints received by the Institute regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Institute of concerns regarding questionable accounting or auditing matters.
- Assist the Board in the development and maintenance of a governance framework.
- Review and update the Committee's Charter at least annually.
- Review and approve significant conflicts of interest and related party transactions.
- Conduct or authorise investigations into any matter within the Committee's scope of responsibilities. The Committee will be empowered to appoint independent counsel and other professionals to assist in conducting any investigation.

5. Composition and Chair

The Committee appointments shall be approved by the Board at least annually and shall consist of, at least three (3) and a maximum of six (6) independent non-executive directors ("the members"). The Committee chairperson shall be selected by the Committee.

At least one member, preferably the Chair, should be literate in financial reporting and control, have knowledge of tax and regulatory requirements, and have past or current employment experience in finance and/or accounting or otherwise comparable experience.

Members of the Committee must have:

- Knowledge of the primary activities of the Institute;
- The ability to read and understand fundamental financial statements, including a statement of financial position, statement of activities and statement of changes in net assets, statement of cash flows and key performance indicators;
- The ability to understand key operational and financial risks and related controls and control processes;
- Access to its own counsel and other advisors at the Committee 's sole discretion; and
- The committee will not have any transactional authority.

6. Meetings

6.1 Quorum and Voting

A quorum for any meeting of the Committee shall consist of a majority of members in office.

All significant decisions will be at the discretion of the Committee to refer to the Institute's Board for ratification:

- Each member shall have one vote;
- Decisions will be made based on a majority vote taken by the quorum; and
- The Committee Chairperson shall have a casting vote in the event of a deadlock.

Individuals in attendance at the Committee meetings by invitation may participate in discussions but do not form part of the quorum for the Committee meetings.

6.2 Meeting attendees

The Committee shall request members of management, counsel, internal auditors and external auditors, as applicable, to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities.

Periodically, and at least annually, the Committee may meet in private sessions with the Committee members only.

The Committee and/or the Committee Chair may at any time with or without management's attendance meet with the institutes internal auditors, external auditors, assurance providers or counsel.

The Chief Executive Officer, Financial Manager and Operations Manager shall be permanent invitees to the Committee meetings.

6.3 Meeting frequency

The Committee shall meet at least quarterly. Additional meetings shall be scheduled as considered necessary by the Committee or Chair.

6.4 Notice of Meetings

Committee meeting agendas shall be the responsibility of the Committee Chair, with input from Committee members. It is expected that the Chair will also ask for management and key Committee advisors, and perhaps others, to participate in this process.

Secretarial services may be arranged through the CEO who will be operationally responsible for the arrangements made.

Meeting packs of each meeting of the Committee, confirming venue, time and date and enclosing the minutes of the previous meeting and an agenda of items to be discussed shall, other than in exceptional circumstances, be forwarded to each Committee member and invitee, not less than five working days prior to the meeting.

7. Committee operating principles

The Committee shall fulfil its oversight responsibilities within the context of the following overriding principles:

7.1 Communications

The Chair and others on the Committee shall, to the extent appropriate, maintain an open avenue of contact throughout the year with senior management, other Committee Chairs and other key Committee advisors (e.g., external *and Internal* auditors, etc.), as applicable, to strengthen the Committee's knowledge of relevant current and prospective Institute issues.

7.2 Education/orientation

7.3 All members must be familiar with the charter and complete an induction. External resources

The Committee shall be authorised to access internal and external resources, as the Committee requires, in carrying out its responsibilities. This includes the authority to hire and terminate external auditors, internal auditors and advisors, as well as the responsibility to approve services and fees paid to such resources.

7.4 Annual plan

The Committee, with input from management and other key Committee advisors, shall develop an annual plan responsive to their Duties and Responsibilities detailed herein. The annual plan shall be reviewed and approved by the full Board.

7.5 Expectations and information needs

The Committee shall communicate the Committee expectations and the nature, timing and extent of Committee information needs to management, auditors and external parties. The Meeting Pack shall be received from management, auditors and others at least one week in advance of meeting dates. Meeting conduct will assume Committee members have reviewed written materials in sufficient depth to participate in committee/Board dialogue.

7.6 Reporting to the Board of Directors

The Committee, through the Committee Chair, shall report periodically, as deemed necessary, but at least quarterly, to the full Board. In addition, the Committee chairperson's report shall be available to each Board member at least one week prior to the subsequent Board of directors meeting.

7.7 Self-assessment

The Committee shall review, discuss and assess its own performance as well as its role and responsibilities, seeking input from senior management, the full Board and others. Changes in role and/or responsibilities, if any, shall be recommended to the full Board for approval.

ADMINISTRATION SCHEDULE

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Danie Swart	V.1	ARC 29 Aug 2019 Board 7 Sep 2019	May 2020
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