

THE CHARTERED INSTITUTE FOR BUSINESS ACCOUNTANTS NPC
 REGISTRATION NUMBER: [1990/005364/08](#)
 ("CIBA")

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

The purpose of these terms of reference is to define the mandate, role and responsibilities, delegated authority, membership and its meeting procedures of the Audit and Risk Committee (the "Committee").

These terms of reference were approved by the Board of Directors (the "Board"). The Board is required to annually review the terms of reference. Committee members are responsible for familiarising themselves with the most current terms of reference to fully understand their responsibilities.

Reference number	A&RCToR-003
Initial approval	Audit and Risk Committee
Final approval	Board of Directors
Amendments	Minor grammatical corrections Replacement of references to SAIBA with CIBA
Date of Amendments	
Review date by the Committee	July 2023
Review date by the Board	July 2023
Effective date	Date of Approval by the Board
Next review date	July 2024

CHARTERED INSTITUTE FOR BUSINESS ACCOUNTANTS NPC 1990/005364/08

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DEFINITIONS

Unless the context indicates otherwise, the following words or terms of expressions will have the meanings subscribed to them hereunder –

“**Auditor**” means the Auditor of CIBA, as defined in terms of section 90 of the Companies Act;

“**Board**” means the Board of Directors of CIBA;

“**Board Charter**” means the Board Charter approved by the Board, as amended from time to time;

“**Chairperson**” means the Chairperson of the Audit and Risk Committee appointed by the Board;

“**Committee**” means the Audit and Risk Committee;

“**Companies Act**” means the Companies Act, 71 of 2008, as amended from time to time;

“**Good Cause**” means a cause that will be acceptable to the Board, which may be accepted or rejected by the Board;

“**King IV**” means the King Report on Corporate Governance for South Africa, 2016;

“**Mol**” means the Memorandum of Incorporation of CIBA; and

“**CIBA**” means Chartered Institute for Business Accountants NPC.

1. INTRODUCTION

- 1.1 The Committee is constituted as a statutory committee in terms of its statutory duties as set out in section 94(7) of the Companies Act and a subcommittee of the Board.
- 1.2 Clause 7 of the Board Charter makes provision for the Board to delegate certain matters to the Committee. Principle 8 of King IV states that a governing body should ensure that the delegation of duties and responsibilities to its various governing body committees promotes independent judgement and assists with the balance of power, as well as the effective discharge of its duties. Principle 11 of King IV, with its associated practices, set out best practice guidelines for risk governance, on which these terms of reference have been compiled.
- 1.3 The duties and responsibilities of the Committee members are in addition to those as Board members. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members, who must continue to exercise due care and judgment in accordance with their legal obligations.

1.4 These terms of reference are subject to the provisions of the Companies Act, MoI, the Board Charter, any other applicable law or regulatory provision and with due consideration of King IV.

2. MEMBERSHIP

2.1 Composition

2.1.1 The Committee must be comprised at least 3 (three) non-executive Board members who must be elected by CIBA members on the recommendation of the Social and Ethics committee. All Committee members must be non-executive Board members and meet all applicable independence requirements and be appropriately qualified.

2.1.2 Collectively, Committee members must have the appropriate mix of qualifications and experience to fulfil their duties adequately. Such qualifications and skills will include expertise and/or experience in the following fields: financial; legal; risk management; sustainability and reporting; internal financial control; external and internal audit processes; information technology ("IT") governance; corporate governance; ethics and integrated reporting. Committee members are required to ensure they are fully apprised of latest developments in the industry and in commerce generally.

2.1.3 The Board fills vacancies on the Committee within 40 (forty) business days after they arise.

2.1.4 The Chairperson of the Board is not eligible to be the Chairperson or member of the Committee.

2.1.5 Committee members must act with care, skill and diligence in the best interest of CIBA and avoid conflicts of interest.

2.1.6 A Committee member, who holds office as director, automatically ceases to be a Committee member upon resignation from the Board.

2.1.7 A Committee member may resign at any time by giving 2 (two) months' written notice to the Company Secretary and the Chairperson of the Board.

2.2 Committee tenure

The Committee will serve until the Board elects to make changes.

2.3 Chairperson

2.3.1 The Board must elect the Chairperson, who must be an independent non-executive Board member.

2.3.2 If the Chairperson is not available to chair a Committee meeting, the Committee members present will elect one of their number to act as chairperson for that Committee meeting.

3. INELIGIBILITY AND DISQUALIFICATION OF MEMBERS

A person is ineligible or disqualified to become a Committee member if such a person is ineligible or disqualified in terms of section 69 of the Companies Act; is not a director of CIBA; and does not comply with the minimum qualification requirements as may be prescribed from time to time.

4. DELEGATION OF DUTIES AND RESPONSIBILITIES

The Committee may delegate any of its responsibilities, as it deems appropriate, to any of its members or a sub-committee of its members or to working groups, subject to the Committee's direction and supervision – this with the express condition that the Committee retains full and exclusive authority over and responsibility for any activities of such other person or persons. Nothing contained in this paragraph will be construed to confer upon any such person any discretion, authority or control regarding any matter unless expressly authorised in writing.

5. ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The Committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV as well as additional responsibilities assigned by the Board. The primary purpose of the Committee is to assist the Board in discharging its responsibility for –

5.1 Statutory duties (external auditor)

The Committee –

- 5.1.1 assesses the suitability for appointment of CIBA's external auditor and designated individual auditor. The Committee will then nominate a registered auditor to CIBA at the annual general meeting for appointment as the external auditor of CIBA;
- 5.1.2 reviews the scope of the external audit, determines the terms of the engagement, the fees and other compensation to be paid to the external auditor;
- 5.1.3 ensures that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation applicable to the appointment of the external auditor;
- 5.1.4 determines the nature and extent of non-audit work to be provided by the external auditor which does not fall within the normal scope of their audit and pre-approves any proposed contract with the external auditor for the provision of non-audit services to CIBA;
- 5.1.5 recommends for approval by the Board mandatory terms on the length of time that an audit partner and audit firm may serve;

- 5.1.6 periodically consults with the external auditor regarding internal controls and the completeness and accuracy of CIBA's financial records;
- 5.1.7 reviews external audit reports to ensure that prompt action is taken by management in respect of those reports;
- 5.1.8 reviews any significant disagreement between management and the external auditor in connection with any external audit report;
- 5.1.9 evaluates the performance and independence of the external auditor; and
- 5.1.10 regularly reports to the Board on its statutory duties and duties assigned to it by the Board and makes appropriate recommendations.

5.2 **Financial reporting**

The Committee –

- 5.2.1 reviews both corrected and uncorrected audit differences;
- 5.2.2 reviews new accounting and reporting developments;
- 5.2.3 reviews critical accounting policies and alternative accounting treatments;
- 5.2.4 reviews significant accounting judgement and estimates;
- 5.2.5 reviews the annual financial statements, accounting practices, as well as the effectiveness of the internal financial controls;
- 5.2.6 reviews quarterly financial information;
- 5.2.7 reviews the disclosure in terms of significant matters that the Committee has considered in relation to the annual financial statements and how these were addressed;
- 5.2.8 reviews the expertise, experience and resources of CIBA's finance function and the Chief Financial Officer and discloses the results of the review in the Integrated Annual Report;
- 5.2.9 reviews the disclosure of sustainability issues in the Integrated Annual Report to ensure that it is complete, consistent, concise, material, reliable and does not conflict with the financial information;
- 5.2.10 ensures that the Board is aware of matters which may significantly impact the financial condition or affairs of CIBA;
- 5.2.11 weaknesses in internal financial controls that are material (individually or in combination with other weaknesses) and that resulted in actual material financial loss, fraud or material errors should be reported

to the Board and stakeholders;

5.2.12 recommends annual financial statements to the Board for approval;

5.2.13 reviews and recommends the Integrated Annual Report to the Board for approval;

5.2.14 provides the information as required by the Companies Act the financial statements within the annual report, as the Committees Report to CIBA members.

5.3 **Combined assurance**

The Committee –

5.3.1 ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and to ensure that the combined assurance received is appropriate to address all the significant risks of CIBA;

5.3.2 monitors the relationship between the assurance providers and CIBA; and

5.3.3 meets annually with the external auditor in the absence of management;

5.3.4 recommends to the Board the engagement of an external assurance provider on material sustainability issues;

5.3.5 with the assistance of the external auditor, performs the oversight role of the internal audit function;

5.3.6 ensures that the internal audit function is subject to an independent quality review at its discretion.

5.4 **Risk management**

The Committee will assist the Board in its evaluation of the adequacy and effectiveness of the risk management process. To achieve this, the Committee will –

5.4.1 ensure the establishment of the risk management process;

5.4.2 review and recommend the Risk Management Policy to the Board for approval;

5.4.3 review the adequacy and effectiveness of the risk management process;

5.4.4 review any inherent risks associated with the annual budget;

5.4.5 recommend the annual budget to the Board for approval;

5.4.6 include a section on the risk management process and the Committee's assessment thereof, as well as its mitigation of risks in its report that forms part of the Integrated Annual Report;

5.4.7 in relation to information technology ("IT") governance –

- ensure ethical and responsible use of technology and information;
- compliance with relevant laws;
- ensure an appropriate control environment and management of material information and technology risks; and
- if required, obtain expert opinion on IT risks and CIBA's exposure thereto.

5.5 Whistle-blowing and fraud

The Committee will –

- 5.5.1 review CIBA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action; and
- 5.5.2 ensure that there is a process in place to be informed of any reportable irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor; and
- 5.5.3 review CIBA's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance.

5.6 Compliance with laws and regulations

The Committee will obtain annual confirmation from the Social and Ethics, Remuneration and Nominations Committee ("SEC"):

- 5.6.1 on the effectiveness of the system for monitoring CIBA's compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance;
- 5.6.2 whether regular updates were obtained from management on compliance matters;
- 5.6.3 whether the SEC was satisfied that all regulatory compliance matters had been considered in the preparation of the financial statements; and
- 5.6.4 whether findings of any examinations by regulatory agencies were reviewed by the SEC.

5.7 Compliance with the Code of Conduct

The Committee will obtain annual confirmation from the SEC on the following:

- 5.7.1 that the code of conduct is in writing and that arrangements are made for all employees to be aware of it;
- 5.7.2 that the process for monitoring compliance with the code of conduct was reviewed and considered any

matters that may influence the financial report; and

5.7.3 whether regular updates were obtained from management regarding compliance.

5.8 Other responsibilities

The Committee will:

5.8.1 perform other *ad hoc* oversight functions as requested by the Board;

5.8.2 have direct and unobstructed lines of communication to the Board and external auditor; and

5.8.3 have the right of access to records containing information needed to perform its duties and execute its powers properly.

6. COMPANY SECRETARY

6.1 The Company Secretary, or his/her nominee, will act as the secretary of the Committee.

6.2 The Company Secretary will –

6.2.1 in collaboration with the Chairperson, prepare a detailed agenda for each Committee meeting; take written minutes of all Committee meetings; circulate them to the Committee members for correctness and ensure that the Chairperson signs the minutes as a correct reflection of the proceedings at the Committee meetings;

6.2.2 attend and record fully the procedures and decisions taken but may be excluded by the Chairperson from any item on the agenda should any conflict of interest become evident; and

6.2.3 maintain a minute book and a register of all resolutions.

7. MEETINGS

7.1 Frequency

7.1.1 The Committee will meet at least 3 (three) times each year.

7.1.2 The Chairperson will report on key matters addressed by the Committee at each Board meeting.

7.1.3 Additional meetings may be held at the request of the Chairperson or any Committee member or the Board as required.

7.1.4 If any Committee member does not attend 2 (two) consecutive Committee meetings without Good Cause, such member may be removed from the Committee by the Chairperson in consultation with the Board.

7.2 Attendance

7.2.1 No Committee member will be entitled to appoint a proxy to attend, speak and vote in his or her stead at any Committee meeting.

7.2.2 Members of executive management will attend Committee meetings either by standing invitation or on an *ad hoc* basis. A standing invitation will be issued to all non-executive Board members to attend Committee meetings.

7.2.3 The Chairperson has the power to excuse any Committee attendee present at the meeting if such attendee is deemed to have a conflict of interest in the matter.

7.3 **Quorum**

7.3.1 A quorum for a Committee meeting will be majority of Committee members, present throughout the Committee meeting in person, by teleconference, video conference or such other electronic means which may come into use in the future, for the duration of the Committee meeting.

7.3.2 No business may be transacted at any Committee meeting unless the requisite quorum is present.

7.4 **Agenda and minutes**

7.4.1 The agenda, with supporting documentation, will be circulated at least 7 (seven) working days prior to each Committee meeting to the Committee members.

7.4.2 Draft minutes of Committee meetings will be circulated to all Committee members for review and comment within 14 (fourteen) working days after the Committee meeting and tabled at the next Committee meeting for review and approval.

7.4.3 An action item list will be produced within 5 (five) working days after the Committee meeting and circulated to the responsible person(s).

7.5 **Voting rights**

All matters will be determined by majority vote of the Committee members present, provided the members present constitute a quorum.

8. **EVALUATION OF THE COMMITTEE**

The Committee will perform a formal evaluation, at least annually, of its own performance and achievements, including an evaluation of the Committee's compliance with the terms of reference. The Committee will conduct such evaluation in a manner as it considers appropriate and reports to the Board on the results of the self-evaluation.

9. **CONFLICTS OF INTEREST**

Committee members will declare any conflict of interest relating to matters on the agenda and such declarations will be managed as deemed necessary.

10. **REPORTING AND ACCOUNTABILITY**

10.1 The Chairperson will report formally to the Board after each Committee meeting on the Committee's proceedings relating to all matters within its mandate.

10.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Chairperson of the Committee (or, in his/her absence, an alternate Committee member) will attend the AGM to answer questions, through the Chairperson of the Board, on the Committee's activities and its responsibilities.

10.4 The Committee produces a report on its activities for inclusion in CIBA's Integrated Annual Report.

11. **GENERAL**

11.1 The Committee will annually –

11.1.1 review the terms of reference to ensure optimal effectiveness and recommend any changes it considers necessary for Board approval; and

11.1.2 review and approve its annual work plan.

11.2 The Chairperson will report formally to the Board after each Committee meeting on the Committee's proceedings relating to all matters within its mandate.

11.3 Any non-executive Board member may, provided there is no conflict of interest and with the consent of the Chairperson, have access to the Committee's records.

12. **REPEAL OF PREVIOUS TERMS OF REFERENCE**

These terms of reference revoke and supersedes the current terms of reference in its totality from the date of its approval by the Committee.

13. **APPROVAL OF TERMS OF REFERENCE**

The terms of reference of the Committee as set out above is effective from the date on which it is approved by the Board.

Name

Signature

Position

Date