

TERMS OF REFERENCE: AUDIT AND RISK COMMITTEE



Ref. 747244 JHS

1. PURPOSE

The Audit and Risk Committee (“Committee”) shall provide assistance to the Board of SAICA (the “Board”) in discharging its oversight responsibilities and function over SAICA and any other legal entity under SAICA’s management and/or control. The primary responsibility of the committee is to provide oversight of the financial reporting process, the audit process, the SAICA's system of internal controls and compliance with laws and regulations. Through this Committee, the Board also ensures that the Institute maintains a robust process for identifying, prioritising, managing, mitigating, monitoring and reporting critical risks¹.

2. AUTHORITY

- 2.1 The Committee is a committee of the Board of SAICA from which it derives its authority and to which it regularly reports.
- 2.2 The Committee has delegated authority from the Board in respect of the responsibilities and powers set out in these Terms of Reference.
- 2.3 The Committee has authority to investigate any matter within its area of responsibility and to obtain such information as it may require from any officer of the institute, its employees or its members.
- 2.4 The Committee may sub-delegate some and or all of its powers and authority as deems fit, including without limitation the establishment of sub-committees to analyse particular issues or themes or to report back to the Committee. For the avoidance of any doubt, the Committee’s power to sub-delegate shall not entitle the Committee to abdicate its responsibilities set out in these Terms of Reference.

3. SCOPE

- 3.1 The governance framework over which the Board has a monitoring and oversight responsibility includes:
 - 3.1.1 SAICA;
 - 3.1.2 The Hope Factory;
 - 3.1.3 The Thuthuka Education Upliftment Fund;
 - 3.1.4 SAICA Enterprise Development; and
 - 3.1.5 any other legal entity under SAICA’s management and/or control.
- 3.2 The Board has the ultimate responsibility to create a transparent and conducive environment and ensure that an adequate and effective process of corporate governance is established and maintained.

¹ SAICA Constitution approved 26 June 2019, par. 6.3.1.7.

- 3.3 The Committee is appointed by the Board to assist the Board in discharging its oversight responsibilities over those entities listed in paragraph 3.1 above.

4. CONSTITUTION

4.1 Chairperson

- 4.1.1 The Chair of the Committee will be a Board member and will be appointed by the Board.
- 4.1.2 In the absence of the Chair of the Committee, the remaining members present at a meeting shall elect one of themselves to chair the meeting.
- 4.1.3 The Chair does not have a casting vote.
- 4.1.4 The Chairperson (or in his/her absence an alternate member) of the Committee shall attend SAICA's annual general meeting to answer questions concerning matters falling within the ambit of the Committee.

4.2 Membership

- 4.2.1 The Committee will comprise at least three members of the Board, with relevant experience.
- 4.2.2 The Committee shall include at least 2 (two) members who are not members of the Board or employed by the Institute.²
- 4.2.3 Neither the Chairperson of the Board³, the Chief Executive Officer⁴ nor any employee of the SAICA or its entities shall be members of the Committee.
- 4.2.4 In the case of co-opted members, appointments shall be made by the Board on recommendation of the Chair of the Committee.
- 4.2.5 Members can be co-opted onto the Committee (as determined by the Committee Chair) as the need arises to help fulfil the duties and obligations of the Committee.
- 4.2.6 Members are appointed by the Board and may be removed from the Committee at any time by the Board.

4.3 Duration of appointments

- 4.3.1 Unless otherwise determined by the Board, the duration of appointments of members of the Committee and of co-opted members shall be for a period of up to three years which may be extended by the Board for an additional period of two years.
- 4.3.2 Membership will automatically terminate on the termination of a member's Board membership.

4.4 Secretary

- 4.4.1 The Board Secretary or his nominee shall act as Secretary to the Committee and attend all meetings.
- 4.4.2 The Secretary shall record the proceedings and decisions of the Committee meetings and the minutes shall be circulated to all members and attendees, as appropriate, taking into account any conflicts of interest or confidentiality requirement that may exist.

5. PROCEEDINGS OF MEETINGS

² By-laws approved 26 June 2019, par. 9.4: "The Board shall form an Audit and Risk Committee which shall include at least 2 (two) members who are not members of the Board or employed by the Institute"

³ The SAICA Constitution, approved 26 June 2019, par. 6.4.7 stipulates that the SAICA Board Chairperson may not be a member of the Audit and Risk Committee.

⁴ By-laws approved 26 June 2019, par. 5.6.5(ii) stipulates that the CEO may not be a member of the Audit and Risk Committee.

5.1 Meetings

- 5.1.1 The Committee shall meet at least 4 (four) times a year and otherwise as required.
- 5.1.2 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Committee Chairperson.
- 5.1.3 Unless otherwise agreed or waived by all members of the Committee, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be made available to each member of the Committee and any other person required to attend, no later than 5 (five) Business Days before the date of the meeting. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.
- 5.1.4 The Committee shall dispatch its business, adjourn and otherwise regulate its meetings as it shall deem fit, including, but not limited to conducting meetings by means of a tele/video-conference or similar facility and approving items of business by written resolution.

5.2 Quorum

- 5.2.1 A quorum of any meeting will be at least 3 (three) members of the Committee with at least 1 (one) such member being not a member of the Board or employed by the Institute.
- 5.2.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5.3 Attendees

- 5.3.1 Only the members of the Committee and members of the Board have the right to attend Committee meetings.
- 5.3.2 The following attendees will be expected to attend Committee meetings on a regular basis:
 - 5.3.2.1 Chief Operating Officer
 - 5.3.2.2 Chief Finance Officer;
 - 5.3.2.3 Chief Risk Officer;
 - 5.3.2.4 Internal Audit representative
 - 5.3.2.5 External Audit representative; and
 - 5.3.2.6 Board Secretary.
- 5.3.3 Any other persons may attend at the invitation of the Chair of the Committee and they may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.
- 5.3.4 The Committee will meet with the external auditor and internal auditor at least once a year without management present.
- 5.3.5 On a regular basis, the Committee members shall meet separately “in Committee” without any member of Executive Management to discuss any matters that the Committee believe should be discussed privately. The Chair of the Committee shall advise the Board Secretary of the resolutions of such in Committee meetings for recording in the Committee minutes.

5.4 Resolutions

- 5.4.1 The Committee shall reach decisions by a simple majority of those voting on the issue in question.⁵

⁵ SAICA Constitution approved 26 June 2019, Par. 2.19: “**Ordinary resolution**” means a resolution of Members at a meeting at which a quorum is present in person or by proxy, and which requires more than 50% (fifty percent) of the votes cast to be in favour of the resolution; AND Par. 2.27: 2.27 “**Special Resolution**” means a resolution of Members at a meeting at which a quorum is present in person or by proxy, and which requires more than 75% (seventy five percent) of the votes cast to be in favour of the resolution;

5.4.2 Subject to the provisions of the SAICA Constitution⁶ and applicable laws and regulations, a resolution in writing signed by a majority of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.⁷

5.5 Minutes

5.5.1 Full minutes of the Committee's meetings shall be recorded and kept by the Board Secretary or his nominee and such minutes shall be available for inspection at any reasonable time on prior reasonable notice by a Board member.

5.5.2 Draft and final versions of minutes of the Committee's meetings shall be sent to all members of the Committee for their comment and records, within a reasonable time after such meetings.

6. FIDUCIARY RESPONSIBILITIES

The Committee must:

- 6.1 Recommend to the Board for appointment a registered external auditor who in the opinion of the committee is independent of SAICA;
- 6.2 Determine the fees to be paid and the terms of engagement of the external auditor;
- 6.3 Ensure that the appointment of the external auditor complies with the Constitution and By-laws;
- 6.4 Determine the nature and extent of any non-audit services which the external auditor may provide to SAICA, or that the external auditor must not provide to SAICA, or a related entity;
- 6.5 Approve the provision of non-audit services policy to SAICA;
- 6.6 Prepare a report, to be included in the annual financial report for that financial year:
 - 6.6.1 Describing how the committee carried out its functions;
 - 6.6.2 Stating whether the committee is satisfied that the external auditor was independent of SAICA; and
 - 6.6.3 Commenting in any way the committee considers appropriate on the financial statements the accounting practices and the internal financial control of the SAICA Group.
- 6.7 Receive and deal appropriately with any concerns or complaints, whether from within or outside SAICA, or on its own initiative, related to:
 - 6.7.1 the accounting practices and internal audit of SAICA;
 - 6.7.2 the content or auditing of SAICA's financial statements;
 - 6.7.3 the internal financial controls of SAICA; and
 - 6.7.4 any related matter.
- 6.8 Make submissions to the Board on any matter concerning SAICA's accounting policies, financial control, records and reporting; and
- 6.9 Perform any other oversight as may be determined by the Board.

⁶ SAICA Constitution approved 26 June 2019, par. 6.10: **Written Resolutions:** Decisions taken by written resolution are valid decisions of the Board if signed by the majority of Board Members, provided all Board Members have given notice of the proposed resolution and have an opportunity of expressing their views on the resolution.

⁷ Board Charter (Appendix 1 of By-laws approved 26 June 2019), par. 8.6, 8.6.1, and 8.6.2: **Decisions and Round Robin Resolutions.** Resolutions taken at a meeting of the Board shall be decided by a majority of votes of members attending the meeting either in person or electronically. The Chairperson shall not have a casting vote in addition to his or her deliberative vote.

A decisions taken by a round robin resolution in writing signed by a majority of the Board Members shall be as valid and effective as if it had been passed at a meeting of the Board duly convened and constituted, provided where possible, all Board Members have been given notice of the proposed resolution and have had an opportunity to express their views on the resolution.

7. DELEGATED DUTIES

7.1 External auditor

The Committee shall:

- 7.1.1 Meet with the external auditor prior to the commencement of the audit to review and approve the external annual audit plan and ensure that it is consistent with the scope of the external audit engagement;
- 7.1.2 Be satisfied that the external audit plan makes provision for effectively addressing the critical risk areas in the business;
- 7.1.3 Meet with the external auditor not more than a month before the Board meets to approve the financial statements to consider matters which appear to the auditor or the audit committee to be of importance and relevant to the proposed financial statements and to the affairs of SAICA generally;
- 7.1.4 Review the findings of the external audit with the external auditor; this shall include but not be limited to the following:
 - 7.1.4.1 A discussion of any major issues which arose during the external audit;
 - 7.1.4.1.1 Any accounting and audit judgments; and
 - 7.1.4.1.2 Levels of errors identified during the audit.
- 7.1.5 Review any representation letters requested by the external auditor before they are signed by management;
- 7.1.6 Review the management letter and the management response to the external auditor's findings and recommendations;
- 7.1.7 Review the overall external audit role with the internal audit department, to minimise duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- 7.1.8 Ensure that there is a process for the committee to be informed of any Reportable Irregularities identified and reported by the external auditor;
- 7.1.9 Ensure that the lead engagement partner within the appointed firm is rotated every five years; and
- 7.1.10 Review the quality and effectiveness of the external audit process and evaluate the performance of the external auditor.

7.2 Financial reporting

The committee will review the annual financial statements, the Group Annual Financial Report and Annual Integrated Report, the accompanying reports to members and other financial information to be made public, prior to submission and approval by the Board. This review will be focused particularly on:

- 7.2.1 The impact of significant or new financial systems;
- 7.2.2 Tax and litigation matters if any;
- 7.2.3 The appropriateness of accounting policies adopted and any changes in accounting policies and practices;
- 7.2.4 Significant financial estimates based on judgement, which are included in the financial statements;
- 7.2.5 The impact on disclosure of significant, complex and/or unusual transactions, especially where the accounting treatment is subject to different interpretations;
- 7.2.6 The appropriateness of major adjustments processed at year-end;
- 7.2.7 The basis on which SAICA and the group had been determined as a going concern;
- 7.2.8 Compliance with the applicable financial reporting standards;
- 7.2.9 Whether the annual financial statements present a balanced and understandable assessment of SAICA's position and performance;
- 7.2.10 The clarity of disclosure in SAICA's financial reports and the context in which the statements are made;

- 7.2.11 Review of the Board Report to be included in the annual financial statements, including the statement of effectiveness of the systems of internal control;
- 7.2.12 Review of the annual financial statements, summarised integrated information, any other intended releases of sensitive information and an assessment of the need for the external auditor to review the information;
- 7.2.13 Comment on the annual financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 7.2.14 Review of the content of the summarised information to ensure that it provides a balanced view; and
- 7.2.15 Engagement of the external auditors to provide assurance on the summarised information.

7.3 **Integrated reporting**

The Committee shall oversee integrated reporting. In particular, the Committee shall:

- 7.3.1 Have regard to all the factors and risks that may impact on the integrity of the integrated report, including factors that may impact fair presentation of the significant judgments and reporting decisions made, monitoring or enforcement actions by the regulatory bodies, any evidence that brings into question previously published information, forward-looking statements or information;
- 7.3.2 Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 7.3.3 Recommend to the Board whether or not to engage an external assurance provider on material sustainability issues; and
- 7.3.4 Recommend the integrated report for approval by the Board.

7.4 **Combined assurance**

The Committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and, in particular, the Committee shall:

- 7.4.1 Ensure that the combined assurance received is appropriate to address all the significant risks facing SAICA; and
- 7.4.2 Monitor the relationship between the external and internal assurance providers of SAICA.

7.5 **Risk oversight**

- 7.5.1 This Committee is an integral component of risk oversight and the risk governance process and specifically with regard to:
 - 7.5.1.1 Financial reporting risks;
 - 7.5.1.2 Internal financial controls;
 - 7.5.1.3 Fraud risks;
 - 7.5.1.4 IT risks and governance; and
 - 7.5.1.5 Tax risks.
- 7.5.2 The Committee is to oversee and approve the organisation-wide risk management practices to assist the Board in:
 - 7.5.2.1 Overseeing the identification and assessment of all the risk that SAICA and its entities face and has established a risk management infrastructure capable of addressing those risks;
 - 7.5.2.2 Overseeing risks, in conjunction with other board-level committees or the full Board, if applicable;
 - 7.5.2.3 Overseeing the division of risk-related responsibilities to each Board committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed;
 - 7.5.2.4 In conjunction with the full Board, approving SAICA's enterprise wide risk management framework;

- 7.5.2.5 In carrying out its duties and responsibilities, the Committee shall have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties. In addition, the Committee shall have the authority to meet with other Board committees to avoid overlap as well as potential gaps in overseeing the organisations' risks;
- 7.5.2.6 The Committee will report to the full Board. The Committee will consider the appropriate reporting lines for the CEO, SAICA's chief risk officer (CRO) and SAICA's management-level committee - whether indirectly or directly - to the Committee;
- 7.5.2.7 As part of its responsibility to foster open communication, the Committee will meet periodically with management, heads of business units, the CRO (if applicable), the external audit representative, internal audit representative in separate executive sessions;
- 7.5.2.8 Help to set the tone and develop a culture of the enterprise vis-à-vis risk, promote open discussion regarding risk, integrate risk management into the organisation's goals and compensation structure, and create a corporate culture such that people at all levels manage risks rather than reflexively avoid or heedlessly take them;
- 7.5.2.9 Provide input to management regarding the enterprise's risk appetite and tolerance and, ultimately, approve risk appetite and the statement of risk appetite and tolerance messaged throughout SAICA and by line of business;
- 7.5.2.10 Monitor the organisation's risk profile - its on-going and potential exposure to risks of various types;
- 7.5.2.11 Approve the risk management policy and plan;
- 7.5.2.12 The Committee should review the risk management plan at least once a year;
- 7.5.2.13 Define risk review activities regarding the decisions, initiatives, and transactions and exposures (e.g. by amount) and prioritise them prior to being sent to the Board's attention;
- 7.5.2.14 Review and confirm that all responsibilities outlined in this Terms of Reference have been carried out;
- 7.5.2.15 Monitor all enterprise risks; in doing so, the Committee recognises the responsibilities delegated to other committees by the Board and understands that the other committees may emphasise specific risk monitoring through their respective activities;
- 7.5.2.16 Oversee the risk program/interactions with management;
- 7.5.2.17 Review and approve the risk management infrastructure and the critical risk management policies adopted by the organisation;
- 7.5.2.18 Periodically review and evaluate SAICA's policies and practices with respect to risk assessment and risk management and annually present to the full Board a report summarising the Committee's review of SAICA's methods for identifying, managing, and reporting risks and risk management deficiencies;
- 7.5.2.19 Continually, as well as at specific intervals, monitor risks and risk management capabilities within the organisation, including communication about escalating risk and crisis preparedness and recovery plans;
- 7.5.2.20 Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed;
- 7.5.2.21 Communicate formally and informally with the executive team and risk management regarding risk governance and oversight;
- 7.5.2.22 Discuss with the CEO and management, SAICA's major risk exposures and review the steps management has taken to monitor and control such exposures, including SAICA's risk assessment and risk management policies;
- 7.5.2.23 Review and assess the effectiveness of SAICA's enterprise-wide risk assessment processes and recommend improvements, where appropriate; review and address, as appropriate, management's corrective actions for deficiencies that arise with respect to the effectiveness of such programs;

- 7.5.2.24 Understand how SAICA's internal audit work plan is aligned with the risks that have been identified and with risk governance (and risk management) information needs;
- 7.5.2.25 Understand and approve management's definition of the risk-related reports that the Committee could receive regarding the full range of risks SAICA faces, as well as their form and frequency;
- 7.5.2.26 Respond to reports from management so that management understands the importance placed on such reports by the Committee and how the Committee views their content;
- 7.5.2.27 Read and provide input to the Board regarding risk disclosures in financial statements and other public statements regarding risk;
- 7.5.2.28 Keep risk on both the full Board's and management's agenda on a regular basis;
- 7.5.2.29 Coordinate (via meetings or overlap of membership), along with the full Board, relations and communications with regard to risk among the various committees; and
- 7.5.2.30 Disclose in SAICA's Integrated Report how it has satisfied itself that risk assessments, responses and interventions are effective.

7.6 Internal audit

The Committee is responsible for overseeing internal audit and, in particular, the Committee shall:

- 7.6.1 Be responsible for the appointment, performance assessment and/or dismissal of the external audit representative or outsourced internal audit service provider;
- 7.6.2 Approve the risk-based internal audit plan;
- 7.6.3 Oversee the staffing and objectives of the internal audit function;
- 7.6.4 Ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate, within a five-year cycle;
- 7.6.5 Review and recommend the internal audit charter for approval by the Board;
- 7.6.6 Consider and review with management and the internal auditors, significant findings during the year and management's responses to these in relation to reliable reporting, corporate governance and adequate and effective internal control;
- 7.6.7 Ensure that the internal audit function has the necessary resources and access to information to enable it to fulfil its programme and to perform its duties in accordance with the appropriate professional standards for internal auditors;
- 7.6.8 Ensure that the internal audit objectives and goals, staffing, budgets and plans provide adequate support for the goals and objectives of the Committee and for the fulfilment of the internal audit charter;
- 7.6.9 Review the co-operation and co-ordination between the internal and external audit functions to avoid unnecessary duplication of work;
- 7.6.10 Review significant differences of opinion between management and the internal audit function;
- 7.6.11 Monitor the maintenance of proper and adequate accounting records;
- 7.6.12 Monitor the overall operational and financial reporting environment;
- 7.6.13 Monitor and evaluate the performance of the internal audit function in terms of agreed goals and objectives;
- 7.6.14 Consider and review any difficulties encountered in the course of the audits, including any restrictions on the scope of internal audit's work or access to required information;
- 7.6.15 Consider any changes required in the planned scope of the internal audit coverage;
- 7.6.16 Meet the external audit representative or outsourced internal audit service provider at least once a year, without the presence of management, to discuss their role and any issues arising from the internal audits carried out; and
- 7.6.17 Ensure that the external audit representative or outsourced internal audit service provider has unrestricted access to the chairperson of the Committee and the chairperson of the Board.

7.7 **Compliance with laws and regulations**

The Committee must consider the legal and regulatory requirements to the extent that these requirements may have an impact on the financial statements. The Committee shall:

- 7.7.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of non-compliance;
- 7.7.2 Review the findings of any examinations by regulatory agencies and any auditor observations;
- 7.7.3 Obtain regular updates from the committee responsible for compliance matters, including tax compliance, litigation, disputes and claims; and
- 7.7.4 Obtain reports from management, the internal auditor and the external auditor regarding compliance with all applicable legal and regulatory requirements.

7.8 **Finance function**

- 7.8.1 The Committee shall review the expertise, resources and experience of SAICA's finance function and disclose the results in the annual financial report.
- 7.8.2 In addition, the committee should consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the Senior Executive: Finance and should confirm this by reporting to members in its annual report that the committee has executed this responsibility.

8. **REPORTING**

- 8.1 Periodically, the Chair of the Committee shall report to the Board on matters within its duties and responsibilities.
- 8.2 The Chair of the Committee shall ensure that the Board is aware of matters that may significantly impact SAICA.
- 8.3 The Committee shall compile a report of the work of the Committee in discharging its responsibilities for inclusion in the Integrated report.
- 8.4 The Committee shall work and liaise as necessary with other committees of the Board.

9. **GOVERNANCE AND RESOURCES**

- 9.1 The Committee shall, via the Secretary to the Committee, make available to new members of the Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Committee.
- 9.2 The Committee shall conduct an annual self-assessment of its activities under these Terms of Reference and report any conclusions and recommendations to the Board and, as part of this assessment, shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual plan of work is manageable.
- 9.3 The Committee shall in its decision making, give due regard to any relevant legal or regulatory requirements, and associated best practice guidance, as well as to the risk and reputation implications of its decisions (liaising where relevant with other committees).
- 9.4 The Committee shall have access to sufficient resources in order to carry out its duties and have the power to engage independent counsel and other professional advisers and to invite them to attend meetings.

10. **TERMS OF REFERENCE**

The Committee shall annually review its Terms of Reference and may recommend to the Board any amendments to its Terms of Reference.

Version Control

21 November 2019	To be tabled at Board for approval