



## **Audit and Risk Management Committee Charter**

The Charter has been based on the requirements of the Code of Corporate Governance 2016.

### **1. Objective of the Committee**

To assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the systems of internal control and Risk Management, the audit process, and STC's process for monitoring compliance with laws and regulations.

### **2. Responsibilities of the Committee**

The Committee should carry out the following duties:

#### **2.1. Financial Statements**

- The Committee will examine and review the quality and integrity of the financial statements of STC, including any other formal announcement relating to STC's financial performance.
- The Committee shall review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the Committee by the auditors;
- The Committee shall review, assess and advise on the appropriateness of accounting policies;
- The Committee shall review:
  - Compliance with accounting standards and legal requirements;
  - Significant adjustment resulting from audit;
  - All material information presented with the financial statements, such as the business review and the Corporate Governance statements relating to the audit and to Risk Management; and
  - The basis on which the organisation has been determined a going concern.
- The Committee shall review the content of the annual report and accounts and advise Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess STC's performance, business model and strategy.

#### **2.2. Internal Controls and Risk Management Systems**

- Keep under review the adequacy and effectiveness of STC's systems of internal control, including internal financial control and risk management and maintaining effective internal control systems;
- Oversee the integrity of the IT Infrastructure and processes to minimise risk while ensuring performance;
- Review and approve the statements to be included in the annual report concerning internal controls and risk management; and
- Propose changes to the format and content of the reports.

### 2.3. Conflict of Interest, Whistleblowing and Fraud

- Ensure that the internal control and the Risk Management systems provide for detection of cases of fraud and corruption;
- Review significant cases of employees' conflicts of interest, misconduct or fraud, or any other unethical activity; and
- Review the adequacy and security of the STC's arrangements for its employees and others to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

### 2.4. Internal Audit

The Committee shall:

- Review and approve the Charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- Ensure the Audit Manager has direct access to the Board Chairperson and to the Committee Chairperson, and is accountable to the Committee;
- Review, assess and approve the annual internal audit work plan;
- Receive reports on the results of the internal auditor's work on a periodic basis;
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- Monitor and review the functioning of the internal audit division, in the context of STC's overall risk management system;
- Safeguard STC's assets against unauthorised use or disposal; and
- Direct and supervise investigations into matters within its scope, such as evaluations of the effectiveness of the organisation's internal control, cases of employee fraud, misconduct or conflict of interest.

### 2.5. External Audit

- Meet regularly with the external auditor at least once a year, without Management being present, to discuss any issues arising from the audit;
- Obtain assurance from the external auditor(s) that adequate accounting records and pertinent explanations / justifications are being maintained;
- Review the findings of the audit with the external auditor. This shall include but not be limited to the following: and
  - A discussion of any major issues which arose during the audit;
  - Key accounting and audit judgements;
  - Levels of errors identified during the audit; and

- The effectiveness of the audit process.
- Review the management letter and management's response to the auditor's findings and recommendations.

### **3. Membership**

- The Committee will comprise of:
  - the Chairperson of the Audit Committee; and
  - 3 Board Members;
- The Committee Chairperson and Members will be appointed by the Board;
- The Chairperson of the Audit & Risk Management Committee may not chair the Finance Committee for improved integrity of the processes;
- The Chairperson of the Board shall not be eligible to be appointed as Chairperson or member of the Committee;
- The Board shall satisfy itself that, as far as possible, the Chairperson of the Committee and at least one member of the Audit and Risk Management Committee has recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies;
- Only members of the Committee have the right to attend Committee meetings. However, the External Auditor, Financial Manager and other non-members may be invited or authorised to attend all or part of any meeting as and when appropriate and necessary;
- The Audit Manager and the designated Secretary shall be in attendance at all Audit and Risk Management Committee Meeting;
- Membership of the Audit and Risk Management Committee shall be disclosed in the Annual Report;
- The Committee shall be appointed by the Board of Directors and any changes will be validated by the Board of Directors of STC; and
- The Board may remove any member from the Committee and to fill any vacancies created by such removal.

### **4. Secretary**

The designated Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **5. Quorum**

The quorum necessary for the transaction of business shall be at least three members, one must be an independent director.

## **6. Frequency of Meetings**

The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

## **7. Notice of Meetings**

- Meetings of the Committee shall be convened by the Secretary of the Committee at the request the Chairperson of the Committee or of any of its members or at the request of the External Auditor or Head of Internal Auditor if they consider it necessary; and
- Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, any other person required to attend, as far as possible, no later than five working days before the date of the meeting. (Except in cases of urgent meeting).

## **8. Minutes of Meetings**

- The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance; and
- Minutes of Committee meetings shall be circulated, as far as possible, no later than ten working days after the meeting to all members of the Committee. Once approved, minutes may be circulated to all other members of the Board.

## **9. Reporting responsibilities**

The Committee Chairperson shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities.

This report shall include:

- The significant issues that it considered in relation to the financial statements and how these were addressed;
- Its assessment of the effectiveness of the internal and external audit process;
- Any other issues on which the Board has requested the Committee's opinion;
- Recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
- The Committee shall compile a report on its activities to be included in STC's annual report.

## **10. Other matters**

The Committee shall:

- Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
- Have access to sufficient resources in order to carry out its duties, including access to the Corporate Secretariat for assistance as required;

- Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;
- Oversee any investigation of activities which are within its charter;
- Work and liaise with all other Board Committees, as necessary; and
- Arrange for periodic reviews of its own performance and, at least annually, review its constitution and charter to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

## **11. Authority**

The Committee is authorised to:

- Seek any information it requires from any employee of STC in order to perform its duties;
- Obtain, at STC's expense, independent legal, accounting or other professional advice on any matter it believes it is necessary to do so; and
- Call any employee to be questioned at a meeting of the Committee as and when required.

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*20 April 2017*