

<b>Description</b>	<b>Terms of Reference: SWD Cricket Audit &amp; Risk Committee</b>
<b>Document owner</b>	<b>Chief Executive Officer South Western Districts Cricket</b>
<b>Approved by</b>	<b>Board of Directors SWD Cricket</b>
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## **1. INTRODUCTION**

The Board of Directors of South Western Districts Cricket “the Board” resolved in terms of section 94 of the Companies Act, Act 71 of 2008 “the Act” to establish a statutory committee, namely the Audit and Risk Committee. The Committee will fulfil the duties as listed below in respect of the Company and in compliance with the Act and the Memorandum of Incorporation of the Company.

The **Audit & Risk Committee** of **South Western Districts Cricket** constituted as a Committee of the **Board of Directors** and reports to the Board. The **Audit and Risk Committee** has an oversight responsibility for audit **and risk** matters for the Board and has a process in place for audit **and risk** monitoring and management.

The deliberations of the **Audit & Risk Committee** do not reduce the individual and collective responsibilities of **the Board of Directors** in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their statutory obligations.

The **Audit & Risk Committee** does not assume the functions of management, which remain the responsibility of the Chief Executive Officer and other members of senior management. The **Audit & Risk Committee** shall have an independent role. The committee will be operating as an overseer and a maker of recommendations to the **Board of Directors** for consideration.

## **2. PURPOSE AND OBJECTIVES**

The **Audit & Risk Committee** members are appointed by the **Board of Directors in terms of Clause 24 of the Memorandum of Incorporation** to assist them in fulfilling their fiduciary duties, as well as to advise them about discharging their duties with regard to the operation of adequate system and financial controls, corporate accountability, and the associated risks in terms of management insurance and financial reporting.

The purpose of the Committee is to assist the **Board of Directors** with oversight of;

- a. The external auditor's appointment, independence and remuneration:
- b. The performance of the company's internal and external audit functions;
- c. Management's responsibilities to ensure that there is in place an effective system of controls designed to reasonably:
  - i. Safeguard the assets and income the company;
  - ii. Monitor the operation of adequate systems; and
  - iii. Maintain compliance with the company's ethical standards, policies, plans and procedures, and with laws and regulations;
- d. The review of financial information and ensuring of the integrity of the annual financial statements.
- e. To monitor the identified risks on a regular basis and implement the necessary controls to mitigate the negative effects thereof. Identified risks and ratings will be presented to the Audit and Risk Committee on a quarterly basis for feedback and approval.

### 3. LEGAL FRAMEWORK

- a. Companies Act, No 71 of 2008, as amended
- b. Memorandum of Incorporation: South Western Districts Cricket NPC
- c. The King Code of Governance for South Africa (King III report)

#### Audit Committee

King III, Principle 2.6: The Board should ensure that the company has an effective and independent audit committee.

“The best practice recommendation regarding audit committees in King III may be difficult to achieve for most non-profit organizations. However, it is important for the governing body to consider the functions suggested for the audit committee below and to be satisfied that, in the absence of an audit committee, those functions are addressed by the governing body”.

#### Key points to consider in relation to an audit functions:

- If there is an audit committee, is the chairperson of the audit committee an independent and non-executive?
- If there is an audit committee, does its membership comprise individuals who are literate in financial reporting and related internal controls?
- Is the audit committee or if no audit committee, the governing body informed when there is disagreement on auditing or accounting matters between the management and the external auditor or independent reviewer?
- Does the audit committee or if no audit committee, the governing body review the disclosure of sustainability issues in the annual report to ensure that it is both reliable and not in conflict with the financial information?
- Does the audit committee or governing body approve both the external auditors and independent reviewer's terms of engagement and remuneration?
- Does the audit committee or governing body monitor and report on the external auditors or independent reviewer's independence?
- Does the audit committee or governing body review the quality and effectiveness of the external audit or independent review process?

#### 4. **COMPOSITION**

- a. The **Board of Directors** should appoint an audit committee, consisting of at least **four (4)** members, of which three (3) are non-executive members of the Board and who act independently. The members should have the necessary financial expertise in order to properly assist and advise the **Board** in the execution of its duties and responsibilities. The **Audit & Risk Committee** may call on expert advice at the company's cost.
- b. In terms of the Corporate Laws Amendment Act, 2006, members should not be involved in the day-to-day management of the business and in the past three financial years must not have been a full-time salaried employee of the company or the group, or a member of the immediate family of such an individual.
- c. Committee members should express opinions, exercise judgement and make decisions impartially, and may not be related to the company or to any stakeholder, supplier customer or other director of the company in a way that would lead a reasonable and informed third party to conclude that the integrity, independence, and impartiality or objectivity of that **Audit & Risk Committee Member** are compromised by that relationship.
- d. The Committee is appointed at the Annual General Meeting and the Board of Directors should elect the chairman of the Committee. Committee members shall not be eligible to serve on the **Audit & Risk Committee** once they are deemed to be no longer able to act independently.
- e. The **Board of Directors** must fill vacancies on the committee within 3 months after the vacancy arises.
- f. The Chairman of the Board should not be a member of the Committee.
- g. New members should receive an induction programme that allows them to function effectively. Committee members are expected to obtain an on-going understanding of the entity, its business and products; an understanding of the industry sector; and knowledge of the entity's risks and controls.
- h. The members of the **Audit & Risk Committee** will be remunerated for their services at a level approved from time to time by the Board.

## 5. **MEETINGS**

### a. **Frequency**

- i. The Audit & Risk Committee should meet at least once a quarter with the aim to fulfil its statutory duties and fully discharge all aspects of the terms of reference.
- ii. The Audit & Risk Committee Chairman will formally report to the Executive Committee on the activities of the Audit Committee at relevant Board meetings.
- iv. Additional Committee meetings may be held at the request of a member or the external auditors, internal auditors, or legal counsel, at the instance of the Board of Directors or at the request of the company's management.
- v. At least annually, the Committee shall meet separately with management, and the external and internal auditors.

### b. **Attendance**

- i. If the nominated Chairman of the Audit & Risk Committee is absent from a meeting, the members present shall elect one of their members to act as Chairman.
- ii. The following will normally be in attendance at Audit & Risk Committee meetings by invitation only:
  - Chief Executive Officer;
  - Chief Financial Officer;
  - Representatives from the external auditors (including audit partner responsible for the audit, i.e. the designated auditors (including the external audit partner responsible for the audit, i.e. the designated auditor); and
  - Other assurance providers as required (e.g. risk, legal counsel, forensics, and governance).
- iii. The Chairman of the Audit & Risk Committee may invite the President of the Board and any other Board members to attend all or part of an Audit & Risk Committee meeting, even though they are not members of the Audit & Risk Committee.

- iv. The Audit & Risk Committee will have the authority to exclude any conflicted member or other attendee from meetings for the duration of a specific meeting or item under discussion if it believes there is sufficient reason or justification for doing so.
- vi. The CEO will act as the secretary to the Audit Committee.

**c. Quorum:**

- i. A quorum for the Committee meetings will comprise a majority of the members.
- ii. Individuals in attendance at Audit & Risk Committee meetings by invitation may participate in discussions but do not form part of the quorum for Audit & Risk Committee meetings and may not vote on any matter.

**d. Agenda and Minutes**

- i. The Committee should establish a plan for each year to ensure that all relevant matters covered by the agendas of the meetings planned for the year.
- ii. The annual plan should ensure proper coverage of the matters laid out in the audit committee charter: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.
- iii. The agenda shall be circulated with supporting documentation, at least one week prior to each meeting to the members of the Committee and, where applicable, other invited attendees.
- iv. The minutes shall be completed within fourteen (14) days after the meeting and circulated to all members of the Committee, the Board, and other relevant personnel.

**6. DUTIES**

In seeking to satisfy the broad objectives set out above, Audit Committee shall address both its statutory and other duties as outlined below.

***Statutory duties (in terms of the Companies Act as amended by the Corporate Laws Amendment Act, 2006)<sup>3</sup>***

In terms of its statutory duties, the Audit Committee shall:

- a. Nominate for appointment annually as external auditor of the company a registered auditor who in the opinion of the Committee is independent of the Board;
- b. Determine the fees to be paid to the auditor and the auditor's terms of engagement;
- c. Ensure that the appointment of the auditor complies with the Companies Act and any other legislation relating to the appointment of auditors;
- d. Recommend to the Board the nature and extent of any non-audit services which may be provided by the auditor. This responsibility may entail:
  - i. Considering whether the skills and experience of the audit firm make a suitable supplier of the non-audit services;
  - ii. Considering the nature of the non-audit services, and the related fee levels (fee levels individually and in aggregate) relative to the audit fee;
- e. Insert in the financial statements to be issued in respect of that financial year a report:
  - i. Describing how the Committee carried out its functions; and
  - ii. Stating whether the Committee is satisfied that the auditor is independent of the company;
- f. Receive and deal appropriately with any complaints (whether from within or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements or to any related matter.

- g. Financial reporting. In terms of financial reporting, the Audit Committee shall:
- i. Review and consider the audit report, annual financial statements, and interim reports of the company, and the financial statements of such other subsidiaries and companies controlled by the company that are required to be referred to the Audit Committee for recommendation and approval by the Board;
  - ii. Examine the appropriateness of the company's accounting policies;
  - iii. Review any other financial communications which is to be issued as a public document;
  - iv. Review compliance with financial reporting standards and relevant financial and corporate governance requirements;
  - v. Consider the impact of any unusual or abnormal transactions necessary for a proper understanding of the Board's operations;
  - vi. Consider the impact of any material litigation and claims;
  - vii. Review the going concern status of the company and minute it as such;
  - viii. Review the annual report to ensure that there is no conflict with the financial statements; and
  - ix. Consider the adequacy of disclosure of significant or unusual commitments or contingencies.
- h. Internal control. In terms of internal control, the Audit Committee shall;
- i. Monitor the effectiveness and completeness of the Board's internal control environment;



- ii. Review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
  - iii. Review the response of management to reported weaknesses in internal, operating and financial controls; and management information systems and the safeguarding of assets, and the proposed remedial action. Major differences of opinion between the internal and external audit and management are to be specifically brought to the attention of the Audit Committee; and
  - iv. In liaison with the external auditors, internal audit and senior management, consider whether there were any material breakdowns in internal controls such as to warrant inclusions in the corporate governance statements in the annual report.
- i. External audit. In terms of the external audit, the Committee shall:
- i. Discuss with the external auditor, before the audit commences, the nature and scope of the audit;
  - ii. Review and discuss with the external auditor;
    - The findings of their work;
    - Any major issues that arose during the course of the audit that have subsequently been resolved, and those issues that have been left unresolved.
    - Key accounting and audit judgements;
    - Levels of errors identified during the audit;
    - Errors that have remained unadjusted;
    - Review the audit representation letter before the submission to the Board giving particular consideration to matters that relate to non-standard issues;
    - Assess, at the end of the audit cycle, the effectiveness of the audit process by reviewing whether the auditor has met the agreed audit plan, and understanding the reasons for any changes, including changes in

perceived audit risks and the work undertaken by the external auditors to address those risks.

- Reviewing and approving the fees actually charged by the external auditor for audit and non-audit services;
- Considering the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committee, and in their commentary, where appropriate, on the systems of internal control;

- iii. Reviewing the content of the external auditor's management letter, in order to assess whether it is based on a proper understanding of the company's business, and establishing whether recommendations have been acted upon and, if not, the reasons for this.

## **7. REPORTING**

The Committee has a reporting role in which:

- a. The Audit Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report. Such a report should specifically provide:
  - i. A summary of the role of the Committee;
  - ii. The names and qualifications of all members of the Committee during the period;
  - iii. The number of Committee meetings and attendance by each member; and
  - iv. The manner in which the Committee has discharged its responsibilities.
- b. The Committee Chairman should attend certain Board meetings to answer questions, through the Chairman of the Board, on the Committee's activities and its responsibilities.

- c. The Committee shall report to the **Board of Directors** after each meeting of the **Audit & Risk** Committee on its activities and critical issues, including compliance with the charter.

## **8. GENERAL**

The Committee has other responsibilities, which are to:

- a. Monitor tax compliance, tax planning, tax risk identification and tax management;
- b. Consider the effectiveness of IT Systems and the controls relating to changes and upgrades;
- c. Review the status and adequacy of the Boards Disaster Recovery and Business Continuity Plans;
- d. Consider matters of uncertainty, including tax and litigation matters.
- e. Monitor issues raised by, amongst other;
  - i. Risk matters;
  - ii. Compliance officers;
  - iii. Legal counsel; and
  - iv. CEO
- v. Evaluate the performance of the individual Committee members and the Committee as a whole;
- vi. Review the Terms of Reference at least annually; and

## **9. AUTHORITY**

In terms of its authority:

- a. The Committee acts in terms of its statutory duties and the delegated authority of the Board as recorded in the Terms of Reference. It has the power to investigate any activity within its terms of reference.

- b. The Committee will have access to the records, facilities of SWD Cricket and any other resources necessary to discharge its duties and responsibilities.
- c. The Committee has the right to obtain independent professional advice in the attainment of its objectives, with the costs being for the company's account.