

## **MAURITIUS INSTITUTE OF DIRECTORS (the “Company” / “MIoD”)**

### **TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE (the “Committee”)**

#### **1. PURPOSE**

- 1.1 The Committee shall operate as a standing committee of the Board of Directors (the “Board”).
- 1.2 The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the performance of the Company's internal audit function, if any, and independent auditors, and (5) the quality and integrity of the Company's risk management.
- 1.3 In the event that any activity of the Committee is unforeseen or not specified in these Terms of Reference, the Chairperson of the Committee shall bring the matter to the Board for approval. Only exceptionally and for urgent matters requiring immediate attention and upon approval of the Chairman of the Board, shall the Committee handle activities outside of the scope of this Terms of Reference. In such urgent circumstances, the Chairperson of the Committee shall however immediately discuss the matter with the Chairperson of the Board and which will be proposed for ratification at the following Board meeting.

#### **2. AUTHORITY**

- 2.1 The Committee has authority to perform any enquiry with respect to any matters within its scope of responsibility as outlined under paragraph 5 hereunder.
- 2.2 Unless varied by these Terms of Reference, meetings and proceedings of the Committee will be governed by the Company's Constitution.
- 2.3 These Terms of Reference may be amended as required, subject to the approval of the Board.
- 2.4 The Committee, in carrying out its tasks under these Terms of Reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties. If such outside or other independent professional advice requires the payment of fees, the Committee shall obtain prior approval by the Board
- 2.5 The Board will ensure that the Committee will have access to professional advice both inside and outside the Company in order for it to perform its duties.
- 2.6 The Committee's role is to present to the Board its recommendation and the Board has the sole authority to make decisions, save for the following, whereby the Board has provided delegated powers to the Committee:

- Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the Committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the Company's external audit firm.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees all of whom are directed to cooperate with the committee's requests or external parties.
- Meet with Company's officers, external auditors, or outside counsel, as necessary.

2.7 The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting.

### **3. COMPOSITION**

3.1 The Committee shall be appointed annually by the incoming Board of Directors after their election at the Annual Members' Meeting.

3.2 A Committee meeting shall be held either:

- (i) by a number of Members who constitute a quorum, being assembled together at the place, date, and time, appointed for the Committee Meeting; or
- (ii) by means of audio, or audio and visual, communication by which all Members participating and constituting a quorum, can simultaneously hear each other throughout the Committee Meeting

3.3 The Committee shall consist of not less than FOUR (4) MloD Directors appointed by the Board.

3.4 As far as possible the Committee shall be composed of a majority of Independent Non-Executive Directors.

3.5 The Board of the MloD will nominate the Chairperson of the Committee at the first meeting after the Annual Members' Meeting.

3.6 The Company Secretary of the MloD shall be the Secretary of the Committee.

3.7 Persons who have served on this Committee until the conclusion of the Annual Members' Meeting shall be eligible for reappointment.

- 3.8 The Chairperson of the Committee will continue to serve until the next Chairperson is appointed.
- 3.9 Members of the Committee shall not be permitted to appoint alternates or proxies to act in their stead.

#### **4. MEETINGS**

- 4.1 In carrying out its functions, the Committee shall meet as often as is necessary, and at least thrice per annum.
- 4.2 The Chairperson of the Committee or any member of the Committee may call a meeting at any other time. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, with internal auditors and with external auditors. It will also meet periodically in executive session.
- 4.3 The quorum of the Committee shall be any THREE (3) members present throughout the meeting who shall vote on the matters for decision.
- 4.4 The Notice of each meeting of the Committee confirming the venue, time and date and enclosing an agenda of items to be discussed shall be provided in advance to the members along with the appropriate briefing materials.
- 4.5 Minutes shall be kept of all proceedings of the Committee where it has met. In the event of circularised decisions taking place of the Committee Meetings, these must be approved at the next subsequent meeting of the Committee.
- 4.6 Minutes of all meetings shall be circulated to all the members of the Committee and may also, if the Chairperson of the Committee so decides, be circulated to other members of the Board.
- 4.7 Any director may, provided that there is no conflict of interest and with the agreement of the Chairperson, obtain copies of the Committee's minutes.

#### **5. RESPONSIBILITIES**

The Committee will be responsible to review the performance of all outsourced service providers functions on the basis of set Key Performance Indicators and make relevant recommendations. Moreover, the Committee will also carry out the following responsibilities:

##### **5.1 Financial Statements**

Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:

- 5.1.1 Complex or unusual transactions and highly judgmental areas.
- 5.1.2 Major issues regarding accounting principles and financial statement presentations, including any significant changes in the company's selection or application of accounting principles.
- 5.1.3 The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 5.1.4 Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements., including analyses of the effects of alternative IFRS methods on the financial statements.
- 5.1.5 Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.
- 5.1.6 Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- 5.1.7 Review disclosures made by CEO about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls.
- 5.1.8 Review the Corporate Governance report and obtain assurance with regards to compliance with the Companies Act 2001 and the Code of Corporate Governance

## **5.2 Internal Control**

- 5.2.1 Consider the effectiveness of the Company's internal control system, including information technology security and control.
- 5.2.2 Understand the scope of internal (if any) and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

## **5.3 Internal Audit (if any)**

- 5.3.1 Review the Internal audit charter, plans, activities, staffing, and organizational structure of the function.
- 5.3.2 Consider the appointment, dismissal or re-assignment of the 'internal auditor'. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the 'internal auditor'.

- 5.3.3 Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- 5.3.4 On a regular basis, meet separately with the 'internal auditor' to discuss any matters that the committee or internal audit believes should be discussed privately.

#### **5.4 External Audit**

- 5.4.1 Recommend to the board on an annual basis which firm(s) should be reappointed/appointed as external auditor(s). In case of change, a range of firms should be screened and the Committee should obtain proposals to enable it to arrive at its recommendation.
- 5.4.2 Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit, if any.
- 5.4.3 Ensure that the rotation of the audit partner should take place every five years and the rotation of the audit firm should take place every ten years.
- 5.4.4 Present its conclusions with respect to the independent auditor to the full board.
- 5.4.5 Set clear hiring policies for employees or former employees of the independent auditors.
- 5.4.6 On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 5.4.7 Consider the proposed audit fees and make an appropriate recommendation to the Board.

#### **5.5 Compliance**

- 5.5.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 5.5.2 Review the findings of any examinations by regulatory agencies, and any auditor observations.
- 5.5.3 Review the process for communicating the Code of Conduct to Company's personnel, and for monitoring compliance therewith.
- 5.5.4 Obtain regular updates from management and company legal counsel regarding compliance matters.

#### **5.6 Risk Management**

- 5.6.1 Review, together with the company's legal advisor, any legal risk matters that could have a significant impact on the Company's business.
- 5.6.2 Review executive management reports detailing the adequacy and overall effectiveness of the Company's risk management function and its implementation by

management, and reports on internal control and any recommendations, and confirm that appropriate action has been taken.

- 5.6.3 Review the risk philosophy, strategy and policies recommended by the executive management and consider reports by the executive management. The Committee will ensure compliance with such policies, and with the overall risk profile of the Company. Risk in the widest sense includes market risk, credit risk, liquidity risk, operation risk and commercial risk, which together cover detailed combined risks as applicable to the Company.
- 5.6.4 Review the adequacy of insurance coverage.
- 5.6.5 Review risk identification and measurement methodologies.
- 5.6.6 Monitor procedures to deal with and review the disclosure of information.
- 5.6.7 Have due regard for the Principles of Governance and Codes of Best Practice with respect to risk management practices.
- 5.6.8 Liaise with the Board in respect of the preparation of the Committee's report to members as required.

## **6. REPORTING RESPONSIBILITIES**

- 6.1 The Committee shall regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, and the performance of the internal audit function, if any.
- 6.2 The Committee shall report annually to the members, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- 6.3 Provide an open avenue of communication between internal audit, if any, the external auditors, and the Board of Directors.
- 6.4 Review any other reports the Company issues that relate to Committee's responsibilities.

## **7. OTHER RESPONSIBILITIES**

- 7.1 Perform such other activities related to these Terms of Reference as requested by the Board.
- 7.2 Institute and oversee special investigations as needed.
- 7.3 Review and assess the adequacy of the Committee's Terms of Reference annually, requesting Board's approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

7.4 Confirm annually that all responsibilities outlined in these Terms of Reference have been carried out.

7.5 Evaluate the Committee's and individual members' performance at least annually during the Board Evaluation process.

This Terms of Reference were considered and adopted by the Board of Directors at their meeting held on 10 April 2012 and last reviewed on 4<sup>th</sup> March 2021.