



SOLIDARITY RESPONSE FUND NPC
AUDIT AND RISK COMMITTEE
TERMS OF REFERENCE

1. INTRODUCTION

- 1.1 The Audit and Risk Committee (“the Committee”) of the Solidarity Response Fund NPC (“the Company”) is constituted as a Committee of the Board of Directors (“the Board”) in terms of principle 8 (Recommended Practice 51) of King IV and in respect of all duties the Board has assigned to it, as more fully set out below.
- 1.2 These terms of reference are subject to the Companies Act, the Company’s Memorandum of Incorporation (“Moi”) and any other applicable law or regulation. The relevant requirements of the Report on Corporate Governance for South Africa, 2016 (King IV) have been taken into account.

2. OBJECTIVE

- 2.1 In spite of a non-profit company not statutorily being required to appoint an auditor or an audit committee, the Company has (as set out in the Moi), elected to appoint a statutory audit committee as contemplated in section 94 of the Companies Act 71 of 2008 (“Companies Act”), and an auditor in terms of Section 90 of the Companies Act to ensure the highest level of the governance and accountability.
- 2.2 The primary objective of the Committee is to assist the Board in discharging its responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes, the preparation of fairly presented financial statements in compliance with legal and regulatory requirements and accounting standards, and the oversight of the external audit appointments and functions.
- 2.3 The Committee, by election, became a statutory committee and as such has an independent role with accountability to the Board.
- 2.4 The Committee does not assume the functions of Management of the Company, which functions remain the responsibility of the Company’s executive and senior Management.

3. CONSTITUTION, MEMBERSHIP AND QUORUM

- 3.1 The Committee shall comprise of at least three members, all of whom should be independent.



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- 3.2 The members of the Committee shall be elected by the Board of Directors of the Company and the Board may also terminate the membership of any member of the Committee.
- 3.3 The Board shall appoint the Chairman of the Committee.
- 3.4 The members of the Committee must have the necessary financial expertise in order to properly assist and advise the Committee in execution of its duties and responsibilities and must have a combined understanding of:
 - 3.4.1 International Financial Reporting Standards (IFRS);
 - 3.4.2 internal financial controls;
 - 3.4.3 external audit process;
 - 3.4.4 corporate law;
 - 3.4.5 risk management;
 - 3.4.6 information technology governance; and
 - 3.4.7 the governance processes within the Company.
- 3.5 The quorum for the transaction of business shall be at least two members with decisions being taken by a majority vote. If there is a deadlock in the voting, the matter shall be referred to the Board for decision.
- 3.6 The following persons will be invited to attend the Committee meetings: Chief Executive Officer, Chief Financial Officer, Head of Operations, legal advisor (if there is one), external auditors, internal auditors (where applicable) and Company Secretary (or the person who performs company secretariat services for the Company). The Chairman of the Board may attend Committee meetings by invitation.
- 3.7 The Committee may invite non-Board members, who hold the necessary expertise in line with the Committee's mandate, to attend meetings in an advisory capacity.
- 3.8 Committee members' personal financial interest in matters before the Committees, in any aspect relating to the Fund, shall be dealt with in accordance with Section 75(5) of the Companies Act and the provisions of Section 75(5) of the Act referred to *supra* are deemed to be incorporated herein.

4. ATTENDANCE AT MEETINGS

- 4.1. Professional advisors, officers or members of staff whose input may be required, may be invited to the meetings, at the discretion of the Chairman. The Chairman may invite any person he/she deems appropriate to attend any of the meetings.



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- 4.2. Members should declare any conflict of interest in accordance with the provisions of Section 75 of the Companies Act as recorded in 3.8 above.
- 4.3. The Chairman shall have the right to exclude from the meeting, or from any item on the agenda, any member who may be considered to have a conflict of interest.
- 4.4. No attendee shall have a vote at meetings of the Committee.

5. MEETINGS AND PROCEEDINGS

- 5.1. Meetings of the Committee shall be convened by the Secretary as determined by its Chairman.
- 5.2. Additionally, in consultation with the Committee Chairman, any member of the Committee or the Board may ask the Secretary to convene a meeting if he/she considers that such a meeting is necessary and appropriate.
- 5.3. Any Board member, who is not a member of the Committee is entitled to attend meetings of the Committee but may not vote.
- 5.4. The Committee shall meet at least four times per annum, or more frequently, if needed and as determined by and within the discretion of the Chairman. The Committee shall meet at least subsequent to an external audit and prior to the release of any Company reports to key stakeholders and board meetings.
- 5.5. Committee members shall be permitted to attend any meeting of the Committee via electronic means of communication, including but not limited to teleconference or videoconference facilities.
- 5.6. The Secretary of the Committee shall prepare an agenda for all meetings, to be agreed by the Chairman. The Chairman shall be afforded sufficient time to participate in and agree to the Committee agenda before meetings are convened.
- 5.7. Papers for substantive debate and discussion shall be circulated at least 48 hours prior to the meeting for the first three months, where after papers shall be circulated at least seven days prior to the meeting.
- 5.8. Decisions may be taken by the Committee via round robin resolution between meetings.

6. POWERS, DUTIES AND RESPONSIBILITIES

The Committee has the following responsibilities:

- 6.1 nominate for appointment by the Board an independent registered auditor;
- 6.2 determine the fees to be paid to the auditor, if any, and the auditor's terms of engagement;



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- 6.3 determine the nature and extent of any non-audit services which the auditor may provide to the Company, or that the auditor may not provide to the Company;
- 6.4 pre-approve any proposed contract with the auditor for the provision of non-audit services to the Company;
- 6.5 to prepare a report, to be included in the annual financial statements:
 - 6.5.1 describing how the audit committee carried out its functions;
 - 6.5.2 stating whether the auditor was independent of the Company;
 - 6.5.3 comment in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial controls of the Company;
- 6.6 to receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to:
 - 6.6.1 the accounting practices and the internal financial controls of the Company;
 - 6.6.2 the content or auditing of the Company's financial statements;
- 6.7 to make submissions to the Board on any matter concerning the Company's accounting policies, financial controls, records and reporting;
- 6.8 to perform such other oversight functions as may be determined by the Board;
- 6.9 ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- 6.10 review the quality and effectiveness of the external audit process.

7. DELEGATED DUTIES

7.1 External Auditor

The Committee shall:

- 7.1.1 meet with the auditor at the commencement of the audit to review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 7.1.2 be satisfied that the audit plan makes provision for effectively addressing the critical risk areas in the Fund;
- 7.1.3 set policy for use of external auditors for non-audit services in line with applicable legislation;



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- 7.1.4 consider whether the auditor's independence may have been prejudiced as a result of any other non-audit services;
- 7.1.5 obtain annually from the external auditors a written statement that their independence has not been impaired;
- 7.1.6 identify key matters arising from all reports submitted by the external auditors and satisfy itself that these are being properly followed up;
- 7.1.7 discuss problems and reservations arising from the audit, and any matters that the auditors may wish to discuss at their request in the absence of Management and invitees;
- 7.1.8 review significant difficulties in the completion of the audit, including any restrictions on the scope of work or access to required information;
- 7.1.9 obtain assurance from the external auditors that adequate records are being maintained;
- 7.1.10 ensure that the lead engagement partner within the appointed firm is rotated every 5 years;
- 7.1.11 evaluate the performance of the external auditors;
- 7.1.12 consider the appropriateness and quality of all critical accounting policies and practices including any accounting treatments, significant unusual transactions or accounting judgements that could be contentious.

7.2 Internal Audit

(The Audit and Risk Committee may recommend establishing an internal audit function to the Board if it considers it necessary.)

- 7.2.1 If an internal audit function is established, the Committee will be responsible for overseeing the internal audit function and, in particular, the Committee shall:
 - 7.2.1.1 Be responsible for the appointment, performance assessment and/or dismissal of the internal audit representative or outsourced internal audit service provider;
 - 7.2.1.2 Approve the risk-based internal audit plan;
 - 7.2.1.3 Oversee the staffing and objectives of the internal audit function;
 - 7.2.1.4 Ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate;
 - 7.2.1.5 Review and recommend the internal audit charter for approval by the Board;
 - 7.2.1.6 Consider and review with management and the internal auditors, significant findings during the year and management's



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- responses to these in relation to reliable reporting, corporate governance and adequate and effective internal control;
- 7.2.1.7 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;
 - 7.2.1.8 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;
 - 7.2.1.9 Review the co-operation and co-ordination between the internal and external audit functions to avoid unnecessary duplication of work;
 - 7.2.1.10 Review significant differences of opinion between management and the internal audit function;
 - 7.2.1.11 Monitor the maintenance of proper and adequate accounting records;
 - 7.2.1.12 Monitor the overall operational and financial reporting environment;
 - 7.2.1.13 Monitor and evaluate the performance of the internal audit function in terms of agreed goals and objectives;
 - 7.2.1.14 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;
 - 7.2.1.15 Consider any changes required in the planned scope of the internal audit coverage;
 - 7.2.1.16 Meet the 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
 - 7.2.1.17 Ensure that the outsourced internal audit service provider has unrestricted access to the Chairman of the Committee and the chairperson of the Board.

7.3 Financial Statements

The Committee will:

- 7.3.1 review the annual financial statements and accompanying reports prior to submission and approval by the Board;
- 7.3.2 insert in the financial statements a report on how the auditors carried out their functions and stating whether the Committee is satisfied that the auditor was independent of the Company;



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- 7.3.3 receive and deal appropriately with any complaints (whether from within or outside the Company) relating to the accounting practices and the internal financial controls of the Company or to the content or auditing of its financial statements;
- 7.3.4 consider any problems identified in the going concern statement or the statement on the effectiveness of internal controls.

7.4 Finance Function

The Committee shall review the expertise, resources and experience of the Company's finance function and report thereon to the Board.

7.5 Risk Management

- 7.5.1 oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board;
- 7.5.2 monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- 7.5.3 make recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
- 7.5.4 oversee that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company;
- 7.5.5 ensure that risk management assessments are performed on a continuous basis;
- 7.5.6 ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- 7.5.7 ensure that Management considers and implements appropriate risk responses;
- 7.5.8 ensure that continuous risk monitoring by Management takes place;
- 7.5.9 express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- 7.5.10 review reporting concerning risk management that is to be included in the annual report for it being timely, comprehensive and relevant;
- 7.5.11 review the adequacy of insurance coverage;
- 7.5.12 review the policies for preventing or detecting fraud;
- 7.5.13 review the processes for ensuring that the Company complies with relevant regulatory and legal requirements.



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7.6 Information Technology

Where applicable, the Committee shall oversee information technology governance. In particular, the Committee shall:

- 7.6.1 review IT policies;
- 7.6.2 ensure that intellectual property contained in the information system is protected;
- 7.6.3 consider IT as it relates to financial reporting and the going concern of the Company;
- 7.6.4 ensure that IT risks are adequately addressed; and
- 7.6.5 ensure that there are adequate business resilience arrangements in place for disaster recovery.

8. AUTHORITY AND EXPENSES

8.1 The Committee is authorised by the Board to:

- 8.1.1 investigate any activities within the scope of responsibilities set out in these Terms of Reference;
- 8.1.2 seek outside legal or other independent professional advice in order to assist it with the execution of its duties, at the Company's expense, in accordance with a procedure developed by the Board for this purpose;
- 8.1.3 form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee;
- 8.1.4 seek access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities; and
- 8.1.5 seek any information it requires from any employee, the Chairman of Board, Committees of the Company or any other employee of the Company, within the scope of responsibilities set out in these Terms of Reference, and all these parties will be required to co-operate with any reasonable requests made by the Committee to provide it with information or explanations necessary for the performance of its functions.



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8.2All

expenses reasonably incurred by the Committee shall be paid by the Company, including, if the Committee considers it appropriate, the fees of any consultants or specialist engaged by the Committee to assist in the performance of its functions.

9. PERFORMANCE EVALUATION

- 8.1 The Committee must, annually, perform an evaluation on the effectiveness of the Committee and report the result to the Board. Appropriate action must be taken after receiving the results to ensure that improvements or recommendations are implemented.
- 8.2 The Committee must, annually, review and reassess the adequacy and appropriateness of this Terms of Reference.

APPROVED

CHAIRMAN – AUDIT AND RISK COMMITTEE

DATE:

CHAIRMAN OF THE BOARD

DATE: