



RHODES UNIVERSITY
Grahamstown • 6140 • South Africa

Audit Committee Charter

1. POLICY PARTICULARS

DATE OF APPROVAL BY RELEVANT COMMITTEE STRUCTURE:

Audit Committee, Finance & General Purposes (F&GP) Committee of the University Council, Council

DATE OF APPROVAL BY SENATE:

DATE OF APPROVAL BY COUNCIL:

COMMENCEMENT

DATE: [Date Policy first implemented]

REVISION HISTORY: Policy finalised September 2014

REVIEW DATE: Every 5 years

POLICY LEVEL: Audit Committee and all aspects of financial and management controls

RESPONSIBILITY: Executive Director: Infrastructure, Operations & Finance

- IMPLEMENTATION & MONITORING: The Chairman of the Audit Committee and the Executive Director:IOF shall be responsible for monitoring and implementation of this policy respectively
- REVIEW AND REVISION: Every 5 years

REPORTING STRUCTURE: Executive Director: Infrastructure, Operations & Finance; Vice-Chancellor; Budget Executive Committee; Audit Committee; F&GP; Council

2. POLICY STATEMENT

2.1 Policy declaration

In terms of section 27(1) of the Higher Education Act 101 of 1997 (as amended) and the Rhodes University Statute (March 2005) the Council of the University is responsible for governing the University whilst the Vice Chancellor is responsible for the day-to-day management and the administration of the University. The Audit Committee assists Council in the discharge of its duties relating “to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards”.

The primary function of the Rhodes University Audit Committee (the “Committee”) is therefore to assist the Council in fulfilling its oversight responsibilities relating to: the integrity of the University's financial statements, the systems of internal control, the performance of the University's External Auditors and internal audit function, the External Auditors' qualifications and independence, and the University's compliance with legal and regulatory requirements. In so doing, it is the responsibility of the Committee to maintain free and open communication among the Committee members, External Auditors, the Internal Auditors, and management of the University. The Committee shall take all appropriate actions to set the overall University tone for quality financial reporting, sound business risk practices, and ethical behavior.

3. POLICY

3.1 Membership and attendance

The Committee shall consist of 5 members (to be quorate three members must be present) who are independent of management and the University in fact and appearance. Members of the Committee shall be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from the University and are not affiliated persons of the University, its affiliated institutions, or management. A majority of Committee members shall be “financially literate,” and at least one member shall be a “financial expert.” Financial literacy is defined as being able to read and understand fundamental financial statements. Financial expert means a person who has: an understanding of both generally accepted and international accounting principles and financial statements, experience applying such principles, experience preparing, auditing, analyzing or evaluating financial statements, experience with internal controls, and a sound understanding of Audit Committee functions.

Chairman

The chairman of the Committee shall be appointed by the Council. In the chairman's temporary absence, one of the Committee members nominated by the chairman or elected by the other members of the Committee will act as chairman.

Attendees

Only members of the Audit Committee have the right to attend meetings. The Vice Chancellor (or his/her nominee), the Executive Director: Infrastructure, Operations and Finance, the Director: Finance, the Internal Auditor and a representative of the External Auditors will normally attend meetings, and other members of management will attend as appropriate.

3.2 Duties and responsibilities of the Committee

While the Committee has the responsibilities and powers set forth in this Charter, it is not the Committee's duty to plan or conduct audits or to determine that the University's financial statements are complete, accurate, and fairly present in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the University's financial statements and for the appropriateness of the accounting principles and reporting policies used by the University. The External Auditors are responsible for auditing the University's financial statements.

The following shall be the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may modify or supplement them as appropriate:

Financial Statements and Reporting

- 3.2.1 Review with management, the External Auditors, and the Internal Auditors their judgments about: the quality of the University's accounting policies, compliance with applicable accounting standards, the consistency in the application of accounting policies, the reasonableness of significant judgments, the degree of aggressiveness or conservatism in applying the accounting principles, and the clarity and completeness of the financial statements and related disclosures.
- 3.2.2 Confirm with management and the External Auditors that the annual financial statements disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships of the University with unconsolidated entities or other persons that may have a material current or future effect on: financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses.
- 3.2.3 Review the content of the annual report and financial statements and advise Council on whether, taken as a whole, they provide the information necessary for compliance with the Higher Education Act 101 of 1997 (as amended), the Rhodes University Statute (March 2005), the Public Audit Act 25 of 2004 and

the directives of both the Departments of Higher Education and Training and the Auditor General.

- 3.2.4 Review new and significant accounting pronouncements, and understand their impact on the University's financial statements.

Internal controls and the risk management framework

- 3.2.5 Review management's reports on the effectiveness of systems for internal control and financial reporting.
- 3.2.6 Review Internal Audit's reports on the effectiveness of systems for internal control.
- 3.2.7 Review management's reports on critical control issues that have an impact on financial reporting.
- 3.2.8 Review the University's procedures for detecting financial reporting fraud.
- 3.2.9 Consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where appropriate).
- 3.2.10 Review compliance with laws and regulations.
- 3.2.11 Review the delegations of authority schedule (at least annually).
- 3.2.12 Provide oversight regarding the University's Conflict of Interest and Code of Conduct policies and related procedures.

External Auditors

- 3.2.13 Make recommendations to the Council on the appointment, re-appointment and removal of the External Auditor. The appointment of the External Auditors shall be reviewed every five years. The Audit Committee shall oversee the process for selecting the External Auditor.
- 3.2.14 Oversee the relationship with the External Auditor, including:
 - (a) approving the terms of engagement (and the engagement letter) of the External Auditor, including the remuneration to be paid;
 - (b) assessing the External Auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals;

- (c) agreeing the policy for, and where required by that policy, approving the provision of non-audit services by the External Auditor and the related remuneration.
- 3.2.15 Review and approve the annual audit plan, and ensure that it is consistent with the scope of the audit engagement, and co-ordinated with the activities of the internal audit function;
- 3.2.16 Discuss with the External Auditor, before the audit commences, the nature and scope of the audit and review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- 3.2.17 Review the findings of the audit with the External Auditor, considering the External Auditor's management letter and management's responsiveness to the auditor's findings and recommendations;
- 3.2.18 Review such reports prepared by the External Auditor as the Audit Committee shall require, considering management's response to any major external audit recommendations;
- 3.2.19 Review annually and report to Council on the qualification, expertise and resources, and independence of the External Auditors and the effectiveness of the audit process, with a recommendation on whether to propose to the Council that the External Auditor be re-appointed. The assessment should cover all aspects of the audit services provided by the audit firm.
- 3.2.20 Ensure that the Audit Committee section of the annual report should include an explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the External Auditor, including length of term and when the tender was last conducted.

Internal Audit

- 3.2.21 Review and appraise the organizational structure, adequacy of resources, qualifications, independence, and activities of the University's appointed Internal Auditors (may be either an internal University appointment or an external service provider).
- 3.2.22 Monitor and review the effectiveness of the University's internal audit function in the context of the University's overall risk management system.
- 3.2.23 Approve the appointment or removal of the Internal Auditors. The appointment of the Internal Auditors shall be reviewed every five years.

- 3.2.24 Periodically review the University's Internal Audit charter for necessary changes.
- 3.2.25 Review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate access to information and standing within the University.
- 3.2.26 Review a report on the results of the Internal Auditor's work on a periodic basis and, in particular, consider the major findings of any significant internal audit escalated to the Committee by the Internal Auditors, and consider management's response to Internal Auditor's recommendations; and
- 3.2.27 Receive a progress report on the internal audit plan with explanations for any deviations from the original plan.

Whistleblowing

- 3.2.28 Review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters including consideration of the procedures for:
 - (a) the receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential submission by employees of the University (which may be anonymous) of concerns on any matter, including those regarding questionable accounting or auditing matters.

The objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

3.3 Resources and Authority

The Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the University and with the authority to engage independent counsel and other advisors if deemed necessary to carry out its duties at University expense.

3.4 Meetings

Meetings shall be held as circumstances require, but at least four times a year. Sufficient meetings shall be held as the Committee's role and responsibilities require. Sufficient time shall be allowed to enable the Committee to undertake as full a discussion as may be required.

The External Auditors and/or Internal Auditors may request a meeting with the Committee or its Chairman if they consider that one is necessary.

Three of the members of the Committee will constitute a quorum for the transaction of business. The Committee shall maintain written minutes of its meetings, which will be filed with the Registrar. Reports of all meetings will be made to the Council.

The Committee may request any trustee, officer, employee, outside counsel, or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

As part of its responsibility to foster open communication, the Committee shall provide sufficient opportunity for the internal and External Auditors to meet privately with the Committee. At least annually, the Committee shall meet separately with the independent auditor, the Internal Auditor and management.

3.5 Adoption of the Charter

The Audit Committee of the Council adopted this charter on 04 September 2014.