



RHODES UNIVERSITY
Grahamstown • 6140 • South Africa

Audit and Risk Committee Charter

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| Policy Volume | Volume E |
| Policy Chapter | |
| Responsible Committee/Unit/Division/Faculty | Audit and Risk Committee |
| Responsible Chairperson/Director/Manager | CFO |
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1 INTRODUCTION

1.1 Purpose and objectives

In terms of section 27(1) of the Higher Education Act 101 of 1997 (as amended), the Rhodes University Statute (March 2005); and the principles of the King IV Report on Corporate Governance, 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 and Risk Committee (hereinafter referred to as the 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 Committee is to assist the Council in fulfilling its oversight responsibilities relating to: financial reporting and the integrity of the University's financial statements; the systems of internal control; the appointment, independence and performance of the University's External Auditors; the Internal Audit function; risk management and related processes; compliance with legal and regulatory requirements; ethics, whistleblowing and forensic investigations. Due consideration must also be given to Information and Communication Technology governance and performance information of the University.

The Committees' broad terms of reference and framework within which it is to operate have been approved by Council. This Charter sets out the detailed role and responsibilities of the Committee and how it will operate. 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.

2 POLICY

2.1 Membership and attendance

Council will appoint the members of the Committee. The Committee shall consist of five (5) members all of whom are independent of management and the University in fact and appearance. At least two Members of the Committee will be Council Members. Council may co-opt independent members to serve on the Committee.

Committee members should be financially literate and have appropriate business skills. At least one member should have a deep understanding of international financial reporting standards and financial statements, experience applying such principles, experience preparing, auditing, analyzing or evaluating financial statements, experience with internal controls and risk management processes, and a sound understanding of audit and risk committee functions. It would be advantageous for the member to have experience in the public sector and higher education governance, risk management, information and communication technology (ICT), compliance management and internal audit skills.

Chairperson

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

Attendees

Only members of the Committee have the right to attend meetings.

The Vice Chancellor (or his/her nominee), the Chief Financial Officer, the Director: Finance, the Registrar, the head of Internal Audit and a representative of the External Auditors will normally attend meetings. Other members of management will attend as appropriate.

A representative of the Auditor-General of South Africa has a standing invitation to attend meetings

Quorum

A quorum consists of the chair and two independent members, one of whom is a member of Council.

2.2 Duties and responsibilities of the Committee

The following are 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

- 2.2.1 Review with management and the External Auditors (and, where appropriate, the Internal Auditors) their judgments about the quality and appropriateness of the University's accounting policies, compliance with applicable accounting standards, the consistency in the application of accounting policies, the

reasonableness of their decisions in those areas requiring significant judgment, the degree of aggressiveness or conservatism in applying the accounting policies, and the clarity and completeness of the financial statements and related disclosures.

- 2.2.2 Review the nature and extent of any unusual transactions and their impact and effect on the annual financial statements and related disclosures.
- 2.2.3. Review all significant adjustments arising from the annual audit.
- 2.2.4 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.
- 2.2.5 Review the going concern status of the University
- 2.2.6 Review new and significant accounting pronouncements and understand their impact on the University's financial statements.

Internal control

- 2.2.7 Review the effectiveness of the University's financial reporting and internal control systems, including ICT.
- 2.2.8 Review both External Auditor's and Internal Auditor's reports on the effectiveness of systems for internal control.
- 2.2.9 Review management's reports on critical control issues that have an impact on the effectiveness of systems for financial reporting.
- 2.2.10 Review the University's procedures for detecting financial reporting fraud.
- 2.2.11 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).
- 2.2.12 Consider any major findings or control weaknesses of any ethics practices and management's response thereto.
- 2.2.13 Review the delegations of authority schedule (at least annually).

- 2.2.14 Provide oversight regarding the University's Conflict of Interest and Code of Conduct policies and related procedures.

External Auditors

- 2.2.15 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.
- 2.2.16 Oversee the relationship with the External Auditor, including:
- (a) approving the terms of engagement (and the engagement letter) of the External Auditor, including the audit fees.
 - (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.
- 2.2.17 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, and coordinated with the activities of the internal audit function.
- 2.2.18 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.
- 2.2.19 Review all of the findings from the audit with the External Auditor, including (but not limited to) the External Auditor's Report to Management and management's responsiveness to the auditor's findings and recommendations.
- 2.2.20 Review such reports prepared by the External Auditor as the Committee shall require, considering management's response to any major external audit recommendations.
- 2.2.21 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 review should cover all aspects of the audit and other professional services provided by the audit firm, as well as an assessment of their overall performance.

2.2.22 Meet separately with the External Auditors to discuss any matters that the Committee or External Auditors believe should be discussed in-camera. This should be done annually.

2.2.23 The Committee shall ensure that the Auditor General is notified as to the appointment of External Auditors

Internal Audit

2.2.24 Review and appraise the organizational structure, adequacy of resources, qualifications, independence, objectivity and activities of the University's appointed Internal Auditors.

2.2.25 Monitor and review the effectiveness of the University's internal audit function in the context of the University's overall risk management system.

2.2.24 Approve the appointment or removal of the Internal Auditors. The appointment of the Internal Auditors shall be reviewed every three years.

2.2.26 Periodically review the University's Internal Audit charter for necessary changes.

2.2.27 Review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate access to information and standing within the University.

2.2.28 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

2.2.29 Receive a progress report at each Committee meeting on the internal audit plan with explanations for any deviations from the original plan.

2.2.30 Meet separately with the Internal Auditors to discuss any matters that the Committee or Internal Auditors believe should be discussed privately. This should be done annually.

2.2.31 Perform an Annual Assessment of the Performance of the Internal Auditors by members of the committee.

Risk management

- 2.3.32 Review and assess the University's risk management framework for identifying and monitoring significant areas of risk at least annually.
- 2.2.33 Recommend to Council policies and procedures for risk management and oversight.
- 2.2.34 Regularly review the University's risk profile and report to Council on any material changes thereto, including any new, emerging risks that have been identified as this impacts the University's risk management and related sustainability objectives.
- 2.2.35 Monitor management's performance against the risk management framework
- 2.2.36 Review the annual process followed by the University to ensure that it has appropriate levels of insurance cover (and its associated organisations and subsidiaries).

Compliance

- 2.2.37 Review the effectiveness of the University's compliance program, including policies, systems and processes, for addressing (and ensuring) compliance with applicable laws and regulations.
- 2.2.38 Receive reports from management regarding compliance with laws and regulations, including material notices or inquiries received from regulators or government agencies.
- 2.2.39 Receive and review reports from management relating to significant legal, compliance or regulatory matters that may have a material effect on the University's legal liabilities or financial statements.

Whistleblowing

- 2.2.40 Review arrangements by which staff or other third parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters.
- 2.2.41 Review the policies, processes and framework for identifying and addressing complaints (including whistleblowing) and review material matters and their resolution.
- 2.2.42 Review the University's processes for dealing with the reported instances of unacceptable conduct

2.3 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.

2.4 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 Chairperson if they consider that one is necessary.

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.

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.

2.5 Review

The Committee will review this charter annually and recommend to Council the adoption of any amendments to it considered desirable.

The Committee shall review its performance, together with that of the individual members, on an annual basis and report to Council.

2.6 Approval of the Charter

The Audit Committee of the Council approved this charter on 01 December 2022.

The Audit and Risk Committee Charter is to be reviewed annually.