



Water Institute of  
Southern Africa

## Terms of Reference

### Finance, Audit and Risk Committee

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<b>TOR EFFECTIVE DATE:</b>	<b>23 August 2018</b>		
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<b>SIGNATURE:</b>			
<b>REVISION DATE:</b>	<b>August 2021</b>		
<b>ASSOCIATED DOCUMENT</b>			
<b>VERSION CONTROL</b>			
Version	Revision	Date	Reason for change
2	2	24 July 2018	New TOR for Board Committees as aligned to new MOI and ROC

# WATER INSTITUTE OF SOUTHERN AFRICA

## TERMS OF REFERENCE OF THE FINANCE, AUDIT & RISK COMMITTEE

### 1. Purpose

- 1.1. The Finance, Audit and Risk Committee (“the Committee”) is constituted as a statutory committee of the Water Institute of Southern Africa (“the Company” or “WISA”) Board (“the Board”) in respect of its statutory duties in terms of section 94(7) of the Companies Act 71 of 2008 (the “Act”), as amended and as a Committee of the Board in respect of all other duties assigned to it by the Board.
- 1.2. The Committee shall be a standing committee, with the composition and membership reviewed by the Board, through the Nominations Committee, as required.
- 1.3. The Committee shall report to its members in terms of its statutory responsibilities and to the Board on all other duties assigned to it by the Board.
- 1.4. The deliberations of the Committee do not reduce the individual or collective responsibilities of the Board members with regard to their fiduciary duties, responsibilities and trust placed in the committee, and they must exercise due care, skill and diligence.
- 1.5. These Terms of Reference are subject to the provisions of the Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision, and has been drafted with due consideration of the King IV Report on Corporate Governance for South Africa, 2016 (“King IV”).

### 2. Composition

- 2.1. The Chairperson of Committee shall be elected from amongst the Directors. The Chairperson will be responsible for the co-ordination of the Board Committee in conjunction with other Directors and/or subject matter experts. The Committee shall comprise of not more than 5 (five) members and not less than 3 (three) members, 2 (two) of whom shall be Directors. The CEO will serve in an ex-officio capacity.
- 2.2. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties.
- 2.3. The committee shall consist of:
  - 2.3.1. the Financial Manager (or Financial Director if subsequently appointed);
  - 2.3.2. the Chief Executive Officer as an invited member;
  - 2.3.3. an independent Non-Executive Director (who shall chair the committee); and
  - 2.3.4. at least 1 (one) financial literate non-executive Director.
- 2.4. Invitations to attend the Committee meetings shall be extended to any other senior management and professional advisors as deemed appropriate.

- 2.5. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not vote on resolutions or form part of the quorum for Committee meetings.
- 2.6. A quorum of the Committee shall be a majority of members.
- 2.7. For a resolution to be adopted it must be supported by at least 75% of the Committee members present and voting or exercised on a resolution;
- 2.8. The Chairman of the Committee shall be appointed by the Board, from its members, and shall be an independent non-executive director. The Chairman of the Board, in terms of King IV, may not be the Chairman of the Committee.
- 2.9. In the absence of the Chairman, the members present may nominate and elect one of their members to chair the meeting.
- 2.10. The Company Secretary shall be the secretary to the Committee.

### **3. Role of the Committee**

The role of the Committee is to provide independent oversight of the effectiveness of the internal financial controls and the system of internal controls to assist the Board in ensuring and monitoring the integrity of the Company's Annual Financial Statements and related external reports. The Committee oversees the effectiveness of the Company's external and internal assurance functions and services that contribute to ensuring the integrity of the Company's financial and integrated reporting. Further to this the Committee assists the Board to set the direction for the manner in which risks and opportunities are managed and addressed while adopting a stakeholder-inclusive approach. Oversee and direct that the Company has implemented an effective policy and plan for risk management and compliance encompassing the opportunities and associated risks to be considered when developing strategy and the potential positive and negative effects of the same risks on the achievement of the Company's strategic objectives. The Committee will also act as the Remuneration Committee and fulfil the requirements thereof as set out in terms of the Act and King IV. The responsibilities of the Remuneration Committee are set out in clause 4.15 below.

### **4. Responsibilities**

The Committee shall operate within the Board's delegation of authority.

Section 94(7) of the Act assigns specific duties to an audit committee, these duties will be fulfilled by the Finance, Audit & Risk Committee of the Company. The Committee is responsible for reporting to the Members on how it has carried out these duties.

In discharging its responsibilities to the Board and Members, the functions and powers of the Committee shall include to:

- 4.1. examine, review and approve the annual report;
- 4.2. examine and review the annual financial statements of the Company in regard to –
  - 4.2.1. compliance with accounting standards;
  - 4.2.2. major judgemental areas and significant adjustments resulting from the audit;
  - 4.2.3. the basis on which the Company has been determined a going concern as well as solvency and liquidity;
  - 4.2.4. capital adequacy;
- 4.3. any changes in accounting policies and practices;
- 4.4. the appropriateness of major adjustments processed at year end;
- 4.5. compliance with the financial conditions of loan covenants, tax and litigation matters;
- 4.6. review all documents that contain material financial information or other information which could impact materially on the financial results or performance of the Company;
- 4.7. review with management, and any outside professionals as the Committee considers appropriate, the effectiveness of the Company's disclosure controls and procedures;
- 4.8. to identify and to manage financial risk and opportunities;
- 4.9. the governance of risk;
- 4.10. determine the level or risk tolerance;
- 4.11. design a risk management plan for the Company;
- 4.12. oversee and co-ordinate the activities of the various assurance providers of the Company; and
- 4.13. the responsibility to recommend the external auditors of the Company for appointment by the Board.
- 4.14. External audit
  - 4.14.1. annually recommend the appointment of a registered and independent external auditor;
  - 4.14.2. determine the scope of engagement and fees of the external auditor;
  - 4.14.3. ensure the appointment of the auditor is in terms of the Act and other legislation;
  - 4.14.4. consider the independence of the external auditors on an annual basis;
  - 4.14.5. determine the nature and extent of non-audit services which can be provided by the external auditors;
  - 4.14.6. conduct independent consultation with auditors;
  - 4.14.7. pre-approve the provision of non-audit services where required;
  - 4.14.8. review the performance and evaluate the effectiveness of the external audit process with reference to appropriate audit quality indicators;
  - 4.14.9. convene a separate meeting with the external auditors to discuss any matters that the Committee members or the auditors believe should be discussed privately; and
  - 4.14.10. review and consider the external auditor's determination and communication of key audit matters.
- 4.15. On an ad hoc basis, as as the Remuneration Committee with the following responsibilities:

- 4.15.1 assist the Board in exercising its function of ensuring that the Company remunerates its employees fairly, responsibly and transparently by, amongst others, implementing affordable, competitive and fair reward practices, so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long term;
- 4.15.2 make recommendations to the Board in respect of the remuneration of the Executive Directors;
- 4.15.3 consider recommendations on Non-Executive Directors' fees; and
- 4.15.4 approve material human resources policies for the Company;

## **5. Meetings of the Committee**

- 5.1. Committee meetings shall be held quarterly. The Committee Chairman shall report on key matters addressed by the Committee at each Board meeting.
- 5.2. Additional meetings may be held at the request of the Chairman or any member of the Committee or Board as required.
- 5.3. All directors of the Board are entitled to attend the Committee meetings.
- 5.4. Minutes of the Committee meetings shall be distributed timeously.
- 5.5. Committee papers shall, other than under exceptional circumstances, be forwarded to each member of the Committee no fewer than seven days prior to the date of the meeting.
- 5.6. Members of the Committee shall declare any conflict of interest in respect of matters on the agenda and such declarations managed as deemed necessary.
- 5.7. The Chairman of the Committee shall attend the Annual General Meeting of the Company and be prepared to respond to any questions on the Committee's activities.

## **6. Authority of the Committee**

- 6.1. The Committee shall have authority to:
  - 6.1.1. access any information it needs to fulfil its responsibilities;
  - 6.1.2. seek independent advice at the Company's expense, budget dependent; and
  - 6.1.3. investigate matters within its mandate.
- 6.2. The Committee shall have the ability to consult with and receive the full cooperation of any employee where necessary to fulfil its responsibilities.

## **7. Review of the Terms of Reference**

The Committee shall review the Terms of Reference annually, to ensure that they remain consistent with its

statutory duties and the Board's objectives and responsibilities. The Terms of Reference may be amended as required, subject to the approval of the Board.

## **8. Evaluation of the Committee's performance**

The Committee shall ensure that a formal process, recommended by the Nominations Committee and approved by the Board, is followed for evaluating the performance of the Committee, at least once a year.