

Audit Committee: Terms of Reference

Regulation 6.1

A submission from the Executive Committee

Purpose or Objective

To amend the terms of reference of the Audit Committee (based on the recommendation of the Audit Committee).

Proposal

Amend Regulation 6.1 as follows:

Audit Committee

6.1 Audit Committee

Constituting the committee

6.1.1 The Audit Committee shall consist of at least four members who shall include:

- (a) a Chairman who shall be a person with **skills in financial reporting and knowledge** ~~experience in the work of the~~ ISAF and who shall not be a member of the Executive Committee;
- (b) the Treasurer;
- (c) one Vice President; and
- (d) one other member who may be a member of Council but not a member of the Executive Committee.

6.1.2 The Committee shall meet at least twice in every year and the quorum shall be two **(at least one of whom shall not be a member of the Executive Committee)**.

6.1.2.1 The President, the Secretary General and the ~~External Auditor~~ shall attend meetings when invited by the Committee. Other members of the **Executive Committee** ~~Council~~ may be invited to attend all or part of the Committee's meetings.

6.1.2.2 The **Committee shall meet with the** ~~External Auditor shall attend~~ at least once ~~meeting a year at which meeting no part of the~~ **without the Executive Committee, the Secretary General or members of ISAF staff** ~~management of the ISAF shall be present.~~

6.1.3 The Committee is authorized to take all such steps as it deems appropriate to:

- (a) investigate any activity of the ISAF and its subsidiaries within its responsibilities;
- (b) seek and obtain any information that it requires from any employee of the ISAF or its subsidiaries; and
- (c) obtain outside legal or other independent professional advice as it requires. Such advisors may attend meetings as the ~~e~~**C**ommittee considers advisable.

Terms of reference

6.1.4 Responsibilities

The responsibilities of the Committee shall be:

- (a) **to ensure the financial reports of ISAF and its related entities comply with the relevant accounting standards and to be satisfied that they are true and fair;**
- (b) to consider the appointment of the external auditor and assess **the** independence of the external auditor;
- (c) to discuss with the external auditor, the nature, ~~and~~ scope **and results** of the audit ~~and to review the auditors' management letter and management response; to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity;~~
- (d) to review the **effectiveness of** internal controls **and their application** ~~within the organization;~~
- (e) to consider management's response to any major external or internal control recommendations;
- (f) to review the ~~organization's~~ procedures for handling allegations from whistle-blowers;
- (g) to review management's and auditor's reports on the effectiveness of systems for financial control, financial reporting and risk management; **and**
- ~~(h) to review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before Submission to the Council, paying particular attention to:~~
 - ~~(i) critical accounting policies and practices, and any changes in them;~~
 - ~~(ii) decisions requiring a major element of judgement;~~
 - ~~(iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;~~
 - ~~(iv) the clarity of disclosures;~~
 - ~~(v) significant adjustments resulting from the audit;~~
 - ~~(vi) the going concern assumption;~~
 - ~~(vii) compliance with accounting standards;~~
 - ~~(viii) compliance with legal requirements;~~
 - ~~(ix) reviewing the company's statement on internal control systems prior to endorsement by the board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company; and~~
- (i) to consider other topics, as defined by the Council or the Executive Committee.

6.1.5 Reporting Procedures

- (a) The Committee shall, after each meeting, report the Committee's findings to the Executive Committee.
 - (b) The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Council.
 - (c) The Committee's duties and activities during the year shall be disclosed in the annual financial statements.
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- (d) The Chairman shall attend Council meetings and the AGM and shall answer questions, through the President, on the Audit Committee's activities and their responsibilities.

Current Position

As above.

Reasons

To update the terms of reference of the Audit Committee in line with current best practice and to update the terminology used.