



Audit and Risk Committee Terms of Reference

South African Heart Association NPC SA Heart®

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1. Introduction

- 1.1. The audit and risk committee of SA Heart® established as a committee of the board of directors of SA Heart® responsibilities and roles are in addition to those of the board (in the case of committee members who are also board members).
- 1.2. The duties and activities of the committee does not alleviate individual or collective responsibilities of board members regarding their fiduciary duties. Board members must practice due care and judgement with regards to their fiduciary duties at all times.
- 1.3. This terms of reference aligns with the Companies Act section 94 (7) (2008), SA Heart®'s Memorandum of Incorporation (MOI), and any other laws or legal requirements applicable to SA Heart®.

2. Purpose

- 2.1. This terms of reference captures the following information regarding the nature of SA Heart®'s audit and risk committee in order to ensure that the committee is effective and compliant and that SA Heart® achieves its objectives:
 - Composition of committee
 - Roles and responsibilities
 - Delegation of authority
 - Meeting procedures

3. Committee Composition

- 3.1. The audit and risk committee comprises a minimum of 3 and a maximum of 5 members.
- 3.2. The audit and risk committee is a committee of the board, its Chair is nominated by the board and is an independent, non-executive member of the board.
- 3.3. The board Chair is not a member of the audit committee.
- 3.4. Members of the audit and risk committee are appointed based on their qualifications and the necessary financial literacy, skills and experience to fulfill their duties and discharge the fiduciary obligations of the board.

4. Roles and Responsibilities

- 4.1. The audit and risk committee does not take on the management function as this remains with the executives and senior management. It governs risk in such a way that it supports SA Heart® to appropriately determine and achieve its mandate and its strategic goals and objectives. It delegates the responsibility to implement effective risk management to management in a clearly articulated delegation of authority document;
- 4.2. Annual reporting (including Annual Financial Statements)

The audit and risk committee oversees the following regarding the annual reporting process:

- Takes all factors and risks influencing the credibility of the report into account.



- Considers and disclose significant matters related to the annual financial statements and reports on how these were addressed by the audit and risk committee, including:
 - Significant assumptions made by the board in preparing the annual financial statements.
 - The auditor's perspectives on significant matters, why they were considered as such and how they were addressed in the audit.
- Reviews all financial documents applicable to the report.
- Gives feedback on the annual financial statements and reports and comment on SA Heart®'s internal controls effectiveness.
- Reviews and ensures that there are no conflicting statements between the financial statements and the SA Heart®'s sustainability reports.
- Considers the role of external assurance providers in finalizing the SA Heart®'s integrated report.
- Recommends that the board approves the integrated report.
- Reviews and ensures that the summarized information in the report has a balanced view.
- Ensures that the external auditors provide assurance on the SA Heart®'s financial statements.

4.3. Combined Assurance.

- The audit and risk committee provides independent oversight regarding the effectiveness of assurance services and functions, with a particular focus on combined assurance, including external assurance service providers and the finance function, as delegated by the board, to ensure the achievement of the following objectives -
 - an effective internal control environment in SA Heart®
 - integrity of information used for management decision making, as well as decisions made by the board and its committees; and
 - the integrity of external reports, annual financial statements, and any other external reports issued by SA Heart® as delegated by the board.
- The audit and risk committee oversees the following regarding combined assurance:
 - Ensures that the combined assurance model optimizes the various assurance services and functions in supporting SA Heart®'s objectives for assurance.
 - Ensures that significant risks and material matters are effectively covered in SA Heart®'s combined assurance model through all or a combination of the following assurance providers:
 - Line functions that own and manage SA Heart®'s risks.
 - Specialist functions responsible for SA Heart®'s risk and compliance oversight.
 - Specialists / experts in the areas of forensics, fraud, safety and actuarial matters.
 - External auditors and other independent assurance service providers, such as sustainability and environmental auditors, external actuaries and external forensic fraud examiners and auditors.
 - Regulatory inspectors.
- Applies an enquiring mind to assess SA Heart®'s combined assurance results with objectivity and professional skepticism, in order to form an informed opinion on SA Heart®'s integrity of information and reports and the degree to which these contribute to an effective control environment and decisions making in SA Heart®'s.

4.4. External audit.



The audit and risk committee oversees the external audit process, as delegated by the SA Heart®'s board. Specifically, the audit committee:

- Recommends a qualified external auditor to the SA Heart®'s board for approval.
- Recommends terms of engagement and remuneration for the SA Heart®'s external auditor to the board, or approves same where the responsibility has been delegated to the committee by the board.
- Provides a statement regarding the independence of SA Heart®'s external auditor with specific reference to:
 - the provision of non-audit services by the external auditor;
 - the nature and extent of these services as well as the policy and controls under which such services were procured;
 - the tenure of the current and previous external audit firm, taking any merger or acquisition related to these firms into consideration;
 - rotation of the designated external audit firm; and
 - significant changes in external audit's management to mitigate the risk of familiarity between SA Heart®'s management and the external audit firm.
- The audit and risk committee provides the following additional information as part of the statement -
 - significant matters considered by the audit and risk committee and how these were addressed;
 - views on the quality of the SA Heart®'s external auditors based on external audit regulators reports;
 - views on the design and implementation of SA Heart®'s internal financial controls;
 - material financial loss, fraud, corruption or error resulting from significant weaknesses in the design, implementation or execution of SA Heart®'s internal financial controls; and
- views on the effectiveness of the SA Heart®'s Finance Function
- Implements a process for reporting problems with regards to the external auditors' findings in compliance with the (auditing professions act) (2005).

4.5. External reports

- The audit and risk committee oversees the disclosure of the type of assurance process applied to SA Heart®'s external reports, in addition to the independent, external audit opinions provided in terms of legal requirements.
- The audit committee further ensures that the following is included as part of the disclosure:
 - A description of the services and processes used in the preparation of the SA Heart®'s external report including the nature, scope and extent of the assurance functions underlying such preparation.
 - Recommends a statement on the integrity of the external report and the basis for this statement referring to the assurance applied, to be issued by the SA Heart®'s board.

4.6. Tax

- The audit and risk committee requests and reviews a responsible and transparent tax policy ensuring that it is compliant with the applicable laws and congruent with responsible corporate citizenship.
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4.7. Risk –

The audit and risk committee sets the direction for how risk should be addressed, including –



- risks and opportunities that must be formally considered when developing the strategy; and
 - the potential positive and negative impacts of all risks and opportunities on SA Heart®'s goals and objectives;
- 4.8. integrates all risk information into its decision-making and into execution of its duties;
- 4.9. reviews and formally approves SA Heart®'s risk management policy that clearly articulates the board's direction on how risk should be addressed;
- 4.10. recommends to the board for approval, the nature and extent of risks that SA Heart® –
- is willing to take in pursuit of its strategy (the risk appetite); and
 - can take as a maximum while remaining true to its purpose (risk tolerance);
- 4.11. oversees risk management on an ongoing basis and makes sure that it results in –
- a formal annual risk management plan that is –
 - approved by the board;
 - aligned to and informed by SA Heart®'s day to day activities;
 - appropriately communicated across all areas of SA Heart®; and
 - monitored by the committee to ensure that it is effectively executed;
 - continuous assessments of –
 - risks and opportunities resulting from SA Heart®'s triple context and the six capitals which it uses and affects;
 - the potential positive impacts (opportunities) of risks with negative impacts on SA Heart®'s goals and objectives;
 - SA Heart®'s dependence on resources and relationships that could affect collaboration with and its legitimacy in the eyes of its stakeholders; and
 - any emerging or unpredictable risks that needs to be further investigated;
 - appropriate design and effective implementation of risk responses, including –
 - compliance with applicable laws and adopted, non-binding rules, codes and standards that supports SA Heart® being ethical and a good corporate citizen; and
 - business continuity arrangements to ensure continued operations under conditions of uncertainty or severe shocks in its environment;
 - the integration and embedding of an appropriate risk culture to support SA Heart®'s goals and objectives; and
- 4.12. requests and reviews independent assurance reports on the adequacy and effectiveness of its risk management arrangements;
- 4.13. oversees the disclosure of appropriate information in relation to risk, without compromising sensitive information, including –
- arrangements for managing and governing risks;
 - key areas of focus during the reporting period, including –
 - key risks faced;
 - undue, unexpected or unusual risks;
 - risk appetite and tolerance level as well as risks taken outside of such levels;
 - actions taken to monitor the effectiveness of risk management and how any gaps were addressed; and key areas of future focus

5. Authority



- 5.1. The board delegates some of its obligations to this committee as recorded in this terms of reference, but remains ultimately accountable for such delegated responsibilities. The audit and risk committee has the power to investigate all activities that is set out in this terms of reference.
- 5.2. Subject to following the approved processes, the committee may request information that aids it in fulfilling its duties from executive directors, company secretary or the Chairman of the various board committees.
- 5.3. The audit and risk committee -
 - has access to company records to ensure fulfilment of its duties;
 - may form sub-committees with the necessary authority;
 - may authorize individual members if required;
 - acquire independent external advice from professionals to aid in the execution of its duties. Costs incurred are carried by SA Heart®s upon following the approved supply chain processes; and
 - may make recommendations to the board regarding actions or improvements required, provided that these are within the committee's scope and terms or reference.

6. Meetings and procedures

6.1. Frequency

- The committee meets at least four times per year but may meet more frequently to discharge all its duties listed in these terms of reference.
- Committee members may call meetings in addition to those formally scheduled in terms of this charter through engagement with the Chair, the chief executive officer and/or the company secretary.
- The committee Chair may schedule a meeting with the chief executive officer, company secretary or chief risk officer prior to the committee meeting to establish an agenda and discuss important matters.

6.2. Attendance

- Unless an apology is given to the Chair or company secretary prior to the committee meeting, all members must attend all committee meetings.
- Assurance providers, professional advisors and senior managers may attend board committee meetings by invitation but may not vote on any decisions taken by the committee.
- The role of the secretary of the board is carried out by the company secretary who (or his/her delegate) must therefore be present at all committee meetings.
- If the appointed Chair of the committee is absent during a scheduled meeting, one of the members present must be elected to fulfill the role of the Chair for that meeting only.

6.3. Agenda and minutes

- A comprehensive yearly work plan is compiled by the company secretary to inform meeting agendas and must include all relevant matters that the committee is responsible for (including all matters within these terms of reference). The plan is formally approved by the board to ensure that critical issues are dealt with annually and less critical matters are dealt with at least every three years.
- The annual plan is considered when establishing the time, length and agenda of committee meetings.
- In order to generate an agenda, the Chair may meet with the chief executive officer and company secretary to discuss important issues.



- Each committee member receives a detailed agenda with supporting documentation at least one week before each meeting from the company secretary.
- All committee members are required to be fully prepared for meetings so that they can provide constructive and relevant input into discussions and decisions taken by the board.
- Minutes of committee meetings are circulated for review by members as soon as possible and is formally approved and signed by the Chair at the following meeting.

6.4. Quorum

- The quorum for committee meetings is at least two-thirds of members for meetings to be duly constituted.
- Non-member attendees at committee meetings (i.e. by invitation) may take part in meeting deliberations but are not included in the quorum for committee meetings and may therefore not vote on any decisions being taken by the committee.

7. Evaluation

7.1. The board annually evaluates the effectiveness and overall performance of individual members of the risk committee, its Chair, and the overall committee and takes corrective steps to close any shortcomings that may be identified.

8. Approval of these Terms of Reference

These terms of reference –

- 8.1 are issued under oversight of the board and compliance thereto is monitored by the company secretary and SA Heart®'s internal and external auditors;
- 8.2 will be officially reviewed at least annually by the board to ensure its adequacy and effectiveness in terms of SA Heart®'s dynamic business environment;
- 8.3 will be amended on an *ad hoc* basis in the event that a deficiency or inadequacy is identified that requires immediate rectification; and
- 8.4 will be adhered to at all times, unless exception to, or relaxation of its requirements have been formally approved by the Board prior to its application.

These terms of reference are hereby adopted and approved for implementation and take effect upon signature by the Chair of the Board.

Signed on this day of 2020
at

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Chair of the Board

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Company Secretary