

**South African  
Weather Service**

ISO 9001 Certified Organisation

## **Charter**

### **Audit & Risk Committee**

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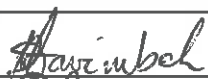

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## Document Control

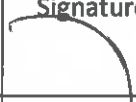

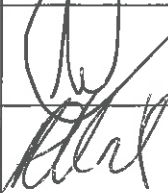
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## Audit and Risk Committee Charter

### 1. Purpose

- 1.1 The Charter outlines the role, responsibilities, composition and operating guidelines of the Audit & Risk Committee of SAWS (the Committee).
- 1.2 The Charter provides guidance to members of the Committee in the execution of their duties and responsibilities; and is not intended to, and does not replace any legislation, regulations, or any governance frameworks or law of general application that regulates or applies to SAWS and/or the Board and its Committees.

### 2. Authority and Independence

- 2.1 In accordance with the Treasury Regulations, the Committee must:
  - 2.1.1 Have explicit authority to investigate any matters within its powers; and must be provided with the resources it needs to investigate such matters and shall have full access to information;
  - 2.1.2 Safeguard all information supplied to it within the ambit of the law;
  - 2.1.3 Report and make recommendations to the Accounting Authority (the Board) on matters within the Committee's scope;
  - 2.1.4 Report on the effectiveness of internal controls in the Annual Report of SAWS;
  - 2.1.5 Comment on its evaluation of the Financial Statements in the Annual Report.
  - 2.1.6 Communicate any concerns it deems necessary to the Executive Authority, the Auditor-General and where necessary, to the internal auditor; and
  - 2.1.7 Meet at least annually with the External Auditor (Auditor-General), to ensure that there are no unresolved issues of concern;
- 2.2 Should any Report from internal audit (or any other source) implicate any SAWS employee, member(s) of the Board or any other party in fraud, corruption or gross negligence, the Chairperson of the Committee or any member of the Committee must promptly report this to the Board, the relevant Executive Authority (Minister) and the Auditor-General; and also in accordance with SAWS Fraud Prevention Policy and Response Plan
- 2.3 Notwithstanding 2.2 above, should a Report from internal audit (or any other source) implicate the Chairperson of the Committee or any member(s) of the Board in fraud, corruption or gross negligence, any member of the Committee or the Board must promptly report this to the relevant Executive Authority (Minister) and the Auditor-General; and inform the Board.
- 2.4 In discharging its responsibilities, the Committee also has authority to:
  - 2.4.1 Access information, records and personnel as it requires to fulfill its responsibilities;
  - 2.4.2 Obtain advice from external parties as and when necessary;
  - 2.4.3 Resolve any disagreements between Management and the Auditors regarding financial reporting; and
  - 2.4.4 Pre-approve all auditing and non-audit services.

### 3. Role

- 3.1 The role of the Committee is to provide independent assurance and assistance to the Board on SAWS' financial management systems and internal controls, audit matters, legal and compliance matters, governance matters including the governance of risk and Information Technology (IT).
- 3.2 The Committee does not replace established management responsibilities and delegations.
- 3.3 The Committee will provide the Board with prompt and constructive reports on its findings, especially when issues that could present a material risk to SAWS are identified or brought to the attention of the Committee.

### 4. Composition

- 4.1 Members of the Committee shall be appointed by the Board.
- 4.2 The Committee shall consist of at least three (3) members who are all independent of SAWS; and one of whom shall be appointed by the Board as the Chairperson of the Committee.
- 4.3 The Chairperson of the Committee shall possess sound communication and strong leadership skills.
- 4.4 At least one member of the Committee should be familiar with the industry in which SAWS operates.
- 4.5 The Chairperson of the Board should not be a member of the Committee.
- 4.6 The relevant Executive Authority must concur with any premature termination of services of a member of the Committee.
- 4.7 The Committee is constituted so as to ensure independence and its membership will be disclosed in the Annual Report of SAWS. Committee members shall collectively have an understanding of:
  - a) governance and accountability structures;
  - b) governance processes and frameworks applicable to SAWS;
  - c) financial management and financial reporting;
  - d) the governance of risk and information technology;
  - e) accounting policies and standards and the required internal controls; and
  - f) internal and external audit process and related standards;
  - g) Legislative requirements and processes.
- 4.8 The membership of the Committee will be reviewed by the Board on an annual basis or any other intervals as may be required from time to time, to strengthen the Committee's effectiveness.
- 4.9 The Committee may also engage the services of other persons (e.g. external/independent chartered accountants or other technical experts) or invite such persons to its meetings, as it deems necessary.
- 4.10 Should a need to co-opt any independent expert(s) onto the Committee arise, such co-option would be subject to Board approval; and
  - 4.10.1 The independent experts co-opted shall be remunerated for the services rendered, at the same rate as that applicable to other Committee members, in line with the approved Board Remuneration Framework; or at any other rate to be determined by the Board, on recommendation of the Committee.

## 5. Committee Meetings

### 5.1 Attendance of Meetings

- 5.1.1 All Committee members are expected to attend each meeting, in person or via accepted communication tools.
- 5.1.2 The Committee meetings will normally be attended by the Chief Financial Officer, Chief Risk Officer and representatives from Internal Auditors and the Auditor-General; however, the Committee may invite members of Management or other relevant parties to attend meetings and provide pertinent information, as the Committee may determine from time to time.
- 5.1.3 Other Board members shall have the right of attendance of Committee meetings with prior approval of the Chairperson of the Committee.
- 5.1.4 The Company Secretary or the person serving in his/her stead will serve as a Committee Secretary; and shall attend all Committee meetings except when requested not to by the Committee.
- 5.1.5 The Committee shall at least once a year, meet with the Auditors without Management; and with or without other Board Members as may be deemed necessary.

### 5.2 Frequency of Meetings

- 5.2.1 The Committee shall meet at least four times a year; with authority to convene additional meetings, as circumstances may dictate.
- 5.2.2 The schedule of meetings will be agreed in advance.
- 5.2.3 The Committee will determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks

### 5.3 Quorum

A quorum shall be a majority of Committee members present (50% plus 1) in person or via telecommunication facilities.

### 5.4 Proceedings

- 5.4.1 The Chairperson of the Committee will serve as the Chairperson of the Committee meetings; and may nominate or give a proxy to another Committee member to act as the Chairperson of the meeting if he or she is unable to attend the meeting.
- 5.4.2 In the absence of the Chairperson and/or a nomination or proxy from the Chairperson of the Committee, any other member may act as Chairperson for that meeting, as agreed by those present.
- 5.4.3 If within thirty (30) minutes from the time set for a meeting, a quorum is not present, the meeting shall stand adjourned to the same day in the subsequent week, at the same time and place; unless otherwise agreed.
- 5.4.4 Committee members are expected to participate fully, frankly and constructively in Committee discussions and other activities, and to bring the benefit of their particular knowledge and skills to the Committee table, and to discharge their duties of skill and care as well as their fiduciary duties.
- 5.4.5 Committee members and invited participants shall inform the Committee of conflicts or potential conflicts of interest they may have in relation to particular items of business, by no later than the start of the meeting proceedings.

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- 5.4.6 Committee members and invited participants shall also inform the Committee of any knowledge of SAWS-related fraudulent activities and/or allegations brought to their attention, as soon as they become aware of such allegations; and by no later than the start of the meeting proceedings.
- 5.4.7 All declarations of interest made at any Committee meeting shall be recorded both in the Minutes and the Declaration of Interests Register.
- 5.4.8 Failure to disclose any direct or indirect material interest shall constitute a ground for misconduct.

### 5.5 Administrative Support

The Office of the Company Secretary shall provide administrative support to the Committee, including but not limited to the following:

- 5.5.1 In consultation with the Chairperson, set the Committee's Annual Agenda and Calendar;
- 5.5.2 In consultation with the Chairperson prepare and circulate Notices at least fourteen (14) days prior to the date of the meeting; confirming the venue, time and date of the meeting.
- 5.5.3 In consultation with the Chief Executive Officer and the Chairperson of the Committee prepare the Agenda, compile and circulate the documents for discussion (Meeting Packs) at least 5 working days before the date of the meeting.
- 5.5.4 Prepare minutes and accurately transcribe all decisions of the Committee.
- 5.5.5 Attend and record proceedings of Committee meetings and produce accurate Minutes; and ensure that Minutes are circulated for adoption at the subsequent meetings.
- 5.5.6 Ensure that Committee members are kept abreast of developments related to their responsibilities; and in keeping with corporate governance best practice.
- 5.5.7 Facilitate the process for the Evaluation of the performance of the Committee and of Internal and external auditors.
- 5.5.8 Provide any other support relevant for the efficient functioning of the Committee as may be required from time to time.

### 5.6 Resolutions

- 5.6.1 Written resolutions signed in a round robin by a majority of Committee members when circulated for signature, shall be as valid and as effectual as resolutions passed at a duly constituted meeting of the Committee; provided Committee members have been afforded a reasonable opportunity to consider and express their opinion on the matter to which the resolution relates.
- 5.6.2 Resolutions adopted in a round robin will be submitted for ratification at the next Committee meeting.

## 6. Responsibilities

The Committee is accountable to the Board for the exercise of its responsibilities, and will fulfil all governance and strategic leadership matters within its mandate; including the following responsibilities:

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### 6.1 Financial Management and Financial Statements

- 6.1.1 Review and recommend for Board approval, SAWS budget for the financial year;
- 6.1.2 Monitor SAWS financial performance (Management Accounts) against the approved budget and Annual Performance Plan;
- 6.1.3 Review the appropriateness of and compliance with accounting policies;
- 6.1.4 Review the appropriateness of assumptions made by Management in preparing the Financial Statements;
- 6.1.5 Review the significant accounting and reporting requirements, and their impact on the Financial Statements.
- 6.1.6 Review the integrity of financial reporting, including Management Report to the Committee on important decisions taken in the course of the preparation of financial statements.
- 6.1.7 Obtain assurance from Management with respect to the accuracy of the Financial Statements;
- 6.1.8 Review the Annual Financial Statements, and consider whether they are complete and consistent with the prescribed accounting principles, prior to recommending them for Board approval; and
- 6.1.9 Review with Management and the External Auditors, the outcome of external audit, including any significant issues identified.

### 6.2 Governance of Risk and Information and Communication Technology

#### 6.2.1 Governance of Risk

- 6.2.1.1 Review the risk management framework for identifying, assessing, monitoring and managing significant risks; and ensure that significant risks are addressed and are suitably managed;
- 6.2.1.2 Review and recommend for Board approval, the Risk Management Strategy; Risk Management Implementation Plan; Risk Management Policy; the Risk Management Policy; The Strategic Risk Register and SAWS' risk appetite; and monitor the implementation thereof;
- 6.2.1.3 Review the report of significant changes to SAWS' Risk Register;
- 6.2.1.4 Assess and contribute to the audit planning processes relating to the management of risks at SAWS;
- 6.2.1.5 Ensure that the internal and external audit Strategies/Plans are aligned to the risk profile of SAWS;
- 6.2.1.6 Provide regular feedback to the Board on the adequacy and effectiveness of risk management at SAWS, including recommendations for improvement; and
- 6.2.1.7 Review and recommend disclosures on matters of risk and risk management in the Annual Report.

#### 6.2.2 Governance of Information and Communication Technology (ICT)

- 6.2.2.1 Ensure that SAWS has effective ICT-governance structures and appropriate ICT governance frameworks in place;
- 6.2.2.2 Oversee the review and implementation of ICT Master Systems Plan and ensure that it is aligned to SAWS business objectives;
- 6.2.2.3 Review and monitor the adequacy of ICT security and controls;
- 6.2.2.4 Ensure that ICT-related risks are adequately addressed and managed; and
- 6.7.1 Oversee SAWS' compliance with all applicable ICT-related requirements and standards.



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### 6.3 Internal Controls and Compliance

- 6.3.1 Review the adequacy and effectiveness of the internal control system, including information technology security systems;
- 6.3.1 Review whether relevant policies and procedures are in place and up to date, and whether they are complied with; including but not limited to those related to financial management, supply chain management, the governance of risk and information technology; and
- 6.3.2 Monitor the internal and external auditors' review of internal controls; and obtain reports on the outcomes of the audits/findings and recommendations, together with Management's responses;
- 6.3.3 Review the effectiveness of the system for monitoring compliance with laws and regulations;
- 6.3.4 Obtain regular updates from Management on compliance matters;
- 6.3.5 Ensure that all the reporting requirements to the Board, Shareholder, Parliament, National Treasury and the Auditor-General are adhered to;
- 6.3.6 Review the findings of any examinations by regulatory agencies, and any Auditor observations; and
- 6.3.6.1 Monitor the implementation of associated recommendations by Management.

### 6.4 Performance Information Management

- 6.4.1 Review SAWS' compliance with the performance information management and reporting systems;
- 6.4.1 Review whether performance information reporting is based on appropriate targets; and
- 6.4.2 Review the assessment of performance information in line with the predetermined objectives.

### 6.5 Internal Audit

- 6.5.1 Review and approve the Internal Audit Charter, skills and structure of the Internal Audit;
- 6.5.2 Review and approve the Internal Audit Plan, budget, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate co-ordination with the External Auditor;
- 6.5.3 Review and concur in the appointment, replacement, or dismissal of the Internal Auditors;
- 6.5.4 Resolve any difficulties or unjustified restrictions or limitations on the scope of internal audit work;
- 6.5.5 Review significant findings and recommendations by Internal Audit and Management responses thereof;
- 6.5.6 Monitor the implementation of Internal Audit recommendations by Management;
- 6.5.7 Review the performance of the Internal Auditors;
- 6.5.8 Review the effectiveness of the Internal Audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing; and
- 6.5.9 Meet separately with the Internal Auditors to discuss any issues that the Committee or Internal Audit believe should be discussed privately

### 6.6 External Audit

- 6.6.1 Review the External Auditors' proposed audit scope, approach and audit fees for the year;
- 6.6.2 Ensure that there is as little overlap as is possible between the internal and external audit functions.

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- 6.6.3 Review the findings and recommendations by External Auditor and Management responses thereof;
- 6.6.4 Monitor the implementation of External Auditor's recommendations by Management;
- 6.6.5 Ensure that there is proper coordination of audit efforts between Internal and External Auditors;
- 6.6.6 Ensure that the External Auditors provide an assurance report on the contents of summarised financial information;
- 6.6.7 Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities;
- 6.6.8 Review the performance of External Auditors; and
- 6.6.9 Meet separately with the External Auditors to discuss any matters that the Committee or External Auditors believe should be discussed privately.

### 6.7 Reporting

- 6.7.1 Regularly report to the Board about Committee activities, issues, and related recommendations;
- 6.7.2 Report annually to the Board, describing the Committee's composition, responsibilities and how they were discharged, and any other information required, including approval of non-audit services;
- 6.7.3 Review the integrity of financial reporting, including Management Report to the Committee on important decisions taken in the course of the preparation of financial statements;
- 6.7.4 Review Management's written assessment of whether or not the Board should issue a going concern statement and make appropriate recommendations to the Board;
- 6.7.5 Oversee stakeholder management issues and reporting; and ensure that SAWS produces an integrated report that conveys information about its operations;
- 6.7.6 Report to the Board and stakeholders on how the Committee has fulfilled its duties during the financial year;
- 6.7.7 Review the Annual Report and related regulatory filings before release and consider the accuracy and completeness of the information; and
- 6.7.8 Review any other reports that SAWS may issue within the scope of the Committee.

### 6.8 Other Responsibilities

- 6.8.1 Ensure that SAWS fulfils its responsibilities as a corporate citizen;
- 6.8.2 Ensure that SAWS fulfils its anti-corruption related responsibilities emanating from the 10 Principles of the United Nations Global Compact; and the OECD recommendations regarding anti-corruption
- 6.8.3 Safeguard all the information supplied to the Committee within the ambit of the law;
- 6.8.4 Review and recommend for Board approval, SAWS' Strategic Plan and Annual Performance Plan; and
- 6.8.5 Review and recommend for Board approval, Divisional Strategies/Plans, Policies, governance frameworks within its scope; and monitor SAWS' compliance therewith.

## 7. Remuneration

- 7.1 Committee members will be remunerated for Committee-related activities, in accordance with the approved Board Remuneration Framework.
- 7.2 The external/independent experts engaged by the Committee in line with sub-section 4.10 above shall be remunerated for the services rendered, at the same rate as that applicable to other Committee members, in line with the approved Board Remuneration Framework; or at any other rate to be determined by the Board, on recommendation of the Committee.
- 7.3 The remuneration of all members of the Committee and the external experts referred to in 7.2 above must be disclosed as notes to the Annual Financial Statements.

## 8. Performance Evaluation and Development

- 8.1 The performance of the Committee shall be evaluated, at least annually, to determine its effectiveness.
- 8.2 The results of the evaluation should be presented to the Committee for discussion.
- 8.3 The outcome of the assessment will be used to determine the training/development needs for each the Committee as a whole and/or individual Committee members; as well the review of the composition of the Committee.

## 9. Approval and Review of the Charter

- 9.1 The Charter is approved by the Board and adopted by the Committee.
- 9.2 The Charter will be reviewed annually to ensure that it remains relevant with the Committee's authority, objectives and responsibilities; and in keeping with corporate governance best practices.
  - 9.2.1 The Charter will remain effective until substituted with a new version.
- 9.3 All changes or amendments to the Charter will be discussed and recommended by the Committee for Board approval.

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