



## TERMS OF REFERENCE (“TOR”)

# Audit & Risk Committee

The purpose of these TOR is to define the Committee’s role and responsibilities, its delegated authority and its membership and meeting procedures.

These TOR were approved by the CSA Board. The Board is required periodically to revise the TOR as necessary and Committee members are responsible for familiarizing themselves with the most current TOR to fully understand their committee responsibilities.

Document Owner	Audit & Risk Committee
Reviewed by	CSA Audit & Risk Committee and all directors
Review date	12 April 2016
Approved by	CSA Board of Directors
Effective date	13 May 2016

### 1. INTRODUCTION

- 1.1 The Audit and Risk Committee (“AuditCom”, “AudCom” or “committee”) is a statutory committee of the Board of Cricket South Africa NPC and is constituted in terms of section 94 (7) of the Companies Act no. 71 of 2008 (“the Act”). AudCom would have duties and responsibilities flowing from the Act and would also have additional duties assigned to it by the Board.

These TOR are subject to the provisions of the Act, the Company's Memorandum of Incorporation (“MOI”) and any other applicable laws and regulatory provisions.

- 1.2 The duties and responsibilities of those committee members who are also Board directors are in addition to those duties and responsibilities that they assume as directors of the CSA Board. The deliberations of the committee do not reduce any individual and collective responsibilities of directors with regard to their fiduciary duties and responsibilities and they must at all times exercise due care and judgement in accordance with their legal duties arising from the Act.

### 2. COMMITTEE MEMBERSHIP AND TENURE

- 2.1 The Board shall determine the size of the committee which shall:-

- 1) As a statutory requirement, the members may not be less than three (3);
- 2) Members of the committee shall not exceed four (4);
- 3) Comprise at least two independent non-executive directors;
- 4) Have at least two members with up to date and relevant financial experience; and
- 5) The chairperson of the Board shall not be eligible to serve as a member of the committee.

- 2.2 The Chairperson, who shall be an independent Board Director, and committee members are to be confirmed by the Board, based on a recommendation received from the CSA President/ Board Chairman. In making such appointments, the CSA President and Board shall have due regard to the necessary and desirable skills and experience required for the effective functioning of the committee.

- 2.3 The Board shall determine the period for which the Chairperson and committee members shall hold office, which period cannot exceed six consecutive years.

- 2.4 A committee member, who holds office as a Director of the Board, will automatically cease to be a member of the committee upon resignation from the Board.

- 2.5 A member may resign at any time by giving due notice to the Secretary and Chairman of the Board.

### 3. SKILL SETS AND ORIENTATION

- 3.1 Each member of the AudCom shall meet applicable independence, financial literacy and other requirements of law to ensure that the AudCom as a whole comprises persons with adequate experience and relevant knowledge to ensure the AudCom performs its functions and fulfils its statutory obligations. This knowledge and experience should include, but is not limited to, an understanding of financial and integrated reporting, internal financial controls, external and internal audits, risk management, information technology, good governance and processes within the Company.
- 3.2 Committee members must keep up-to-date with key developments in the areas of finance and auditing which is essential to enhance the skill sets required from each committee member.
- 3.3 New members shall undergo appropriate induction programmes with the Chairperson assisted by the committee Secretary.

### 4. SECRETARY

- 4.1 The Secretary of the committee shall be the Chief Internal Auditor or such other person as the committee Chairperson and Chief Executive may appoint.
- 4.2 The Secretary shall be responsible for setting meeting dates, planning the Agenda with the Chairperson, drafting minutes of the meeting and to provide general secretarial support for the efficient functioning of the committee.
- 4.3 The Secretary of the committee shall prepare an agenda for each meeting for approval by the Chairperson. The agenda, together with meeting papers shall be circulated to all members and invitees at least 7 days before the scheduled meeting date.
- 4.4 The Secretary shall ensure that resolutions, directives and any action steps of the committee are communicated and implemented by the responsible persons.

### 5. MEETINGS

- 5.1 There should be at least three scheduled committee meetings per year, which meetings should correspond with key dates in the company's financial reporting cycle.
- 5.2 The Chairperson in consultation with the Chief Financial Officer and Chief Internal Auditor may call for additional meetings.
- 5.3 There should be sufficient time set aside for each meeting so that the committee can fulfil its obligations and there should be a reasonable interval between committee and Board meetings to allow for the satisfactory follow up of matters and action points.
- 5.4 Meetings may be held in person, by telephone, videoconference or other form of electronic means that would prove efficient, provided that the required quorum is met. All persons shall be deemed as being present at the meeting.

## Confidential

5.5 The Chairperson may meet with key executives at any time during the course of the year.

5.6 The Chairperson should meet at least once a year with the external and internal auditors without any executives in attendance.

5.7

### 6. QUORUM, ATTENDANCE AND MEETING PROCEDURES

6.1 The quorum for a meeting shall be the majority of members of the committee present in person or via telecom facilities. A decision shall be considered passed if the majority of members present (in person or by proxy) vote in favour of the resolution.

6.2 The Chairperson shall have a casting vote, if required.

6.3 A decision that could be voted on at a meeting may instead be adopted by written resolution provided a quorum of members is obtained and each member has received adequate notice of the matter to be decided. A decision made in such manner has the same effect as if it had been approved at a meeting.

6.4 Committee members must attend all scheduled and ad hoc meetings of the committee unless prior apology with reasons has been submitted to the Chairperson or Secretary.

6.5 If the Chairperson of the committee is not present within (30) minutes of the scheduled start time of the meeting or is unable to attend a meeting, the committee members present shall nominate an acting Chairperson from among themselves.

6.6 Where decisions are required by way of written resolution, a quorum shall constitute the majority of members, one of whom must be the Chairperson.

6.7 Individuals in attendance at the meeting by invitation may participate in discussions but do not form part of the quorum and may not vote on resolutions. No invitee or attendee shall have a vote at meetings of the committee.

6.8 The Chief Executive, Chief Financial Officer and Chief Internal Auditor shall be permanent invitees to AudCom meetings and shall have unrestricted access to the Chairperson or any other member of the committee as may be required in relation to any matter falling within the remit of the committee.

6.9 The Chairperson, at his/her discretion, may invite other executives and managers to attend and to be heard at meetings of the committee.

6.10 If a member is unable to act for any reason, and there is no quorum for the committee to deliberate on a matter before it, then the Chairperson may, in consultation with the Board Chairperson, co-opt another independent director as an additional member.

6.11 Minutes of the meeting are to be completed within 21 days of the meeting and shall be formally approved by the committee at its next scheduled meeting.

### 7. AUTHORITY

- 7.1 The AudCom has powers to make decisions in relation to its statutory duties and is accountable to both the Board and the Members Council in this regard. Any further duties assigned to it by the Board will require the committee to make recommendations to the Board for approval unless the Board has delegated specific authority to the committee.
- 7.2 As per s94 of the Companies Act The Audit Committee, in carrying out its duties, has powers to consider and make decisions on:
- 1) Investigate any activity within its scope of responsibilities;
  - 2) Consult with or request any information it requires from any employee who shall be obliged to co-operate with the AudCom;
  - 3) Access internal or external resources to properly carry out its duties;
  - 4) Obtain independent professional advice at the company's expense if it believes this is necessary to fulfil its duties. Such advisors may attend meetings at the invitation of the Chairperson;
  - 5) Access relevant company records, facilities and any other resources necessary to discharge its duties and responsibilities;
  - 6) Delegate its authority and duties, in so far as it is not precluded from doing so by legal or regulatory requirements, to other Board Committees, working groups or other persons including employees or individual members of the AudCom; and
  - 7) Make recommendations to the Board for approval by the Board.
- 7.3 The AudCom may not perform any management functions or assume any management responsibilities and shall have no executive powers with regard to its findings and recommendations.

### 8. RESPONSIBILITIES AND REPORTING

- 8.1 The committee's responsibilities are as set out in the Companies Act and as determined by the Board from time to time (see [Annexure A](#)).
- 8.2 In performing their duties and functions, each committee member must act in the best interest of the Company in terms of their fiduciary duties and also in accordance with their duties under the Company's Code of Ethics. Committee members should maintain appropriate relationships with relevant executives of the company.
- 8.3 The committee should establish formal and appropriate reporting arrangements to the Board and Members Council.
- 8.4 The Chairperson of the AudCom shall provide a written, summary of the committee's deliberations and or activities at each Board meeting following a committee meeting.
- 8.5 The committee should maintain an appropriate relationship with the company's internal and external auditors.
- 8.6 The Chairperson of the AudCom shall ensure that the Board is aware of matters which may impact significantly on the financial condition of CSA.

## Confidential

8.7 The Chairperson (or, in his/her absence, another member) of the AudCom shall attend the Annual General Meeting to report to the Members Council on how it has fulfilled its statutory duties in terms of the Act or any other applicable requirements during the financial year.

### 9. REMUNERATION OF COMMITTEE MEMBERS AND COMMITTEE EXPENSES

9.1 In terms of the company's MOI, the director fees which include committee member and/or chairperson fees payable to non-executive directors, shall be recommended annually by the Board and approved by the Members Council at the Annual General Meeting.

9.2 Other qualifying committee members (usually external and independent persons), save for executives, employees and contractors shall be paid a meeting attendance fee as determined by the Board from time to time. Employees denotes persons involved full time in cricket and is applicable to CSA, its Members, Franchises, SACA and players.

9.3 The Company shall pay all expenses reasonably incurred by the AudCom in relation to the execution of its duties and responsibilities. The same applies to committee members.

### 10. EVALUATION OF THE COMMITTEE

10.1 The committee must perform a review and evaluation, at least annually, of the performance of the committee and its members, including an evaluation of the committee's compliance with these TOR.

10.2 The committee may conduct such evaluation and reviews in such a manner as it considers appropriate.

10.3 The committee shall report annually to the CSA Board on the results of any self-evaluation or self-assessment that the committee undertakes of its own performance and achievements.

10.4 The Board must annually evaluate the committee's performance in terms of its composition, mandate and effectiveness.

10.5 In addition, the committee shall review and reassess, at least annually, the adequacy of these TOR and recommend any improvements to the Board.

### 11. OVERLAP AND EFFICIENCY OF ALL COMMITTEES

11.1 The committee must take cognizance that its roles and responsibilities may overlap with those of other committees. In instances where the committee needs to exercise oversight on matters handled by other committees or where there is clear overlap, the committee chairperson should agree with the relevant committee chairperson as to which committee shall deal with the matter and report to the Board. Duplication must be avoided.

### 12. ACCURACY OF INFORMATION

12.1 Except to the extent of legal or regulatory provisions to the contrary, AudCom members, being independent or non-independent members, are entitled to rely on the Company's executives in relation to matters within their areas of expertise and may assume the accuracy of information provided by such persons, provided that the committee member is not aware of any reasonable grounds upon which reliance or assumption may be inappropriate.

### 13. CONFLICTS OF INTEREST

13.1 The committee shall consistently apply the provisions of the Companies Act on the disclosure and/or avoidance of any conflicts of interest. Members of the AudCom shall be required to declare their interests in general on an annual basis and specifically at each meeting of the AudCom.

13.2 The AudCom shall:

- 1) In respect of each Member, review any interests a member may have which conflict or may conflict;
- 2) Make recommendations to the Board as to whether any such conflict should be authorised and, if so, as to the terms and conditions under which any such authorisation should be given by the Board;
- 3) Review on a regular basis any authorisation given by the Board in order to determine whether the authorisation given should stand on the terms and conditions on which it was given or whether additional terms and conditions should be imposed or whether the authorisation should be revoked (subject to giving the relevant member notice of the proposed revocation); and
- 4) In the case of a review of the interests of a member, the affected member shall not participate in the review or in discussions or decisions of the committee relating to that member.

### 14. CONFIDENTIALITY

14.1 All matters discussed, papers prepared and materials disclosed as part of the committee's activities are strictly confidential and shall not be disclosed to any third party (other than directors of the CSA Board) without the prior written consent of the Board Chairperson, unless it is required by law or such information is already within the public domain, such obligation remaining even after any relevant period of appointment has expired.

14.2 All information provided to committee members shall, unless otherwise agreed with the Chairperson in advance, become and remain the property of CSA even after any relevant period of appointment has expired.

**1. Secretarial functions**

The main duties of the Secretary shall include the following:

- 1) Scheduling dates for committee meetings and arranging the logistics;
- 2) Preparing the draft agenda in consultation with the Chairperson;
- 3) Preparing meeting papers to the required standard and sending meeting papers to the committee members at least 7 days before the meeting;
- 4) Preparing the draft minutes for circulation to the committee members within 21 days of the meeting;
- 5) Determining the attendees for the meeting in consultation with the Chairperson of the committee and the Chief Executive; and
- 6) Follow-up any matters arising from previous meeting/s.

**2. Specific duties of the AudCom**

**(a) Financial Reporting**

- 1) Review and challenge where necessary, the audited Annual Financial Statements announcements before their submission to the Board for approval, and determine whether they are complete and consistent with the information known to the AudCom members, paying particular attention to:
  - i. Significant accounting policies and practices and any changes in them.
  - ii. Consistency of accounting policies both on a year to year basis.
  - iii. Major judgemental areas, for example, those involving the valuation of assets and liabilities, warranty, product and environmental liability, litigation reserves and other commitments and contingencies.
  - iv. The impact and disclosure of significant, complex and / or unusual transactions, especially where the accounting treatment is open to different approaches.
  - v. Context, completeness and clarity of disclosures.
  - vi. Adjustments resulting from the audit or processed at year-end.
  - vii. The basis on which the company has been determined a going concern.
  - viii. Compliance with appropriate accounting standards and recent professional pronouncements.
  - ix. Compliance with legal requirements.
  - x. The implementation of significant or new, financial systems.
  - xi. Tax and litigation matters involving uncertainty.
  - xii. Capital adequacy.
  - xiii. Impact of foreign exchange.
- 2) Be briefed on the extent of internal audit involvement and the extent to which the external auditors review such information.



**(b) Internal Controls**

- 1) Examine and review the internal control environment within the company and review the company's statement on internal control systems (which will be included in the Annual Integrated Report prior to endorsement by the Board), in particular to review:
- 2) Integrity of the company's internal financial controls.
- 3) Policies and procedures for preventing or detecting fraud or illegal acts.
- 4) Policies and procedures for ensuring the company complies with relevant regulatory and legal requirements.
- 5) The operational effectiveness of the policies and procedures.
- 6) The extent to which management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risks and ensuring that all employees have an understanding of their roles and responsibilities.
- 7) Assess the scope and effectiveness of the system established by management to identify, assess, manage and monitor financial and non-financial risks.

**(c) Risk Management**

- 1) Oversee the development and review of the company's risk register and the annual risk management plan (referred to as the **Corporate & Risk Scorecard**), with the aim to enhance company's ability to achieve its strategic objectives;
- 2) Recommend the company's risk register, which inherently reflects company's risk philosophy and strategic intent of risk management, to the Board for approval;
- 3) Recommend CSA's risk profile to the Board for approval;
- 4) Monitor that risks are managed and ensure that risks are prioritised and assessed accordingly;
- 5) Ensure that company's strategy and business plans take account of the risks that company is or may be exposed to;
- 6) Consider and review reports on internal control confirming that appropriate action has been taken as required and appropriate risk responses were considered and implemented;
- 7) Ensure effective monitoring of risk management and compliance;
- 8) Consider the risk environment from time to time, as deemed appropriate and based on materiality and changes in the external, transactional and internal environments;
- 9) Review the adequacy of the company's insurance cover; and
- 10) Consider and agree to the hedging position of the company.

**(d) External Audit**

- 1) Make recommendations to the Board, for it to put to the Members Council for their approval at the AGM, in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors. The AudCom will ensure that the external audit fees are appropriate to enable an adequate audit to be performed.

- 2) Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- 3) Review annually the external auditors' qualifications, expertise and resources, including a review of the report from the external auditors on their own internal quality procedures.
- 4) Develop, recommend to the Board and oversee the implementation of the policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- 5) Recommend the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditors. Arbitrate any dispute between management and the external auditors.
- 6) Review with the external auditors the scope and planning of the audit, ensuring there are no unjustified restrictions or limitations. Review the findings of the external auditors, in particular any problems and reservations which the auditors may wish to discuss.
- 7) Meet, at least annually, privately with the external auditors to discuss, without management present, their remit and any issues.
- 8) Review the effectiveness of the external audit process.

**(e) Internal Audit**

- 1) Review periodically the effectiveness of the internal audit function in the context of the company's overall risk management system, with particular focus on the charter, annual work plans, activities, staffing, organisational and reporting structure and status of the function.
- 2) Ensure that no unjustified restrictions or limitations are placed on the internal audit function, that the function has sufficient budget and staff resource to meet its objectives, and that the function has appropriate standing within the Company and direct access to the Chairman of the Board and the AudCom Chairman.
- 3) Review periodically the results of work performed by the internal audit function and reports on the effectiveness of systems of internal control, corporate governance and risk management. Discuss their findings with the Internal Auditor.
- 4) Meet, at least annually, privately with the Internal Auditor to discuss, without management present, his remit and any issues.
- 5) Ensure that management responds to internal audit reports, identified issues and recommendations.
- 6) Ensure co-ordination between the internal audit function and the external auditors.
- 7) Review the qualifications of and approve the appointment or dismissal of the Internal Auditor.

**(f) Compliance with Laws and Regulations**

- 1) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance.

- 2) Review the findings of any examinations by regulatory agencies and any auditor observations.
- 3) Obtain regular updates from management and head of legal regarding compliance matters, including tax compliance, litigation, disputes and claims.

**(g) Other Responsibilities**

- 1) Perform other oversight functions and consider other topics, as requested by the Board.
- 2) If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- 3) Review and update the AudCom's terms of reference at least annually, and recommend changes to the Board.
- 4) Conduct an annual review of the AudCom's work and report to the Board.
- 5) Review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

**(h) Reporting Procedures**

- 1) Once agreed by the AudCom, the Company Secretary shall circulate the minutes of all the meetings of the AudCom to all members of the Board.
- 2) The Chairman of the AudCom shall make a brief report, either written or oral, of the findings and recommendations of the AudCom to the Board after each AudCom meeting. The AudCom shall make whatever recommendations to the Board of Directors it deems appropriate on any area within its remit where action or improvement is needed.
- 3) The Chairman of the AudCom or, as a minimum, another member of the AudCom shall attend the Board meeting at which the audited AFS are approved.
- 4) The AudCom's terms of reference, including its role and delegated authority and its activities during the year shall be made available to the Members Council. A separate section in the Integrated Annual Report shall include:
  - i. a summary of the role of the Audit AudCom
  - ii. the names and qualifications of all members of the Audit AudCom
  - iii. the number of Audit AudCom meetings
  - iv. a report on the way the Audit AudCom has discharged its responsibilities; and
  - v. a report on how auditor objectivity and independence is safeguarded if the auditor provides non audit services.
- 5) The Chairman of the AudCom shall attend the AGM and shall respond to questions on the AudCom's activities and responsibilities.