



Audit Committee Charter

1. PURPOSE

- 1.1 The Audit Committee of the Spectrum Management Authority (the SMA) exercises an independent review function to assist the Board of Directors in fulfilling its oversight responsibilities. The Committee evaluates and monitors the adequacy of and compliance with internal controls pursuant to statutory requirements, Board policies, applicable Government policies and internal policies.
- 1.2 The Audit Committee acts to ensure that the SMA adheres to its Corporate Governance mandate in the specific areas of enterprise risk management, accounting policies, internal controls, compliance systems and procedures as well as financial reporting practices.
- 1.3 With the enactment of the Public Bodies Management and Accountability (Amendment) Act 2011 (PBMAA), the Audit Committee is required to act as an advisor to the Board of Directors. This has also been articulated in the Corporate Governance Framework for Public Bodies (revised September 2012) at Principles 13 and 14.
- 1.4 The Audit Committee provides a critical service to the Board by bringing to its attention pertinent information raised by Internal and External Audits.
- 1.5 The Audit Committee reports directly to the Board on its assessment of the Corporation's financial, operational and administrative accountability, and provides advice and guidelines to the Corporation's Board on matters brought to the Committee's attention or on its own volition.

2. ROLES AND RESPONSIBILITIES

- 2.1 The roles and responsibilities of the Committee are as follows:
 - 2.1.1 advise the Board on:
 - practices and procedures which will promote productivity, improved quality and increase volume of service;
 - the extent to which the objectives of the Board are being achieved;
 - the adequacy, efficiency and effectiveness of the accounting, internal control & risk management structure and systems of the Board;
 - 2.1.2 review and advise the Board on the audited financial statements that are to be included in the annual report of the SMA;
 - 2.1.3 oversee any internal audit of the SMA;
 - 2.1.4 review and advise the Board on the External Auditor's report;

- 2.1.5 conduct investigations on behalf of other Board committees;
- 2.1.6 in the case of the SMA undergoing a special audit or examination, review and advise the Board with respect to the report of that audit or examination;
- 2.1.7 perform such other functions as are assigned to it by the Board.

2.2. **RISK ASSESSMENT, INTERNAL CONTROLS AND FINANCIAL REPORTING**

The Committee shall:

- 2.2.1 Consider the adequacy of risk management and internal controls as well as the accuracy of financial reporting through reviewing (inter alia) the:
 - mechanisms for the assessment and management of risk;
 - plans and results of internal audit activities;
 - plans and results of external audit activities;
 - adequacy of management's response to issues identified by all audit activities.

2.3 **External Audit**

The Committee shall:

- 2.3.1 review the audit engagement letter, audit plans, timing and scope of the external audit, identify special areas of concern to the External Auditors;
- 2.3.2 review any written reports made by the External Auditors;
- 2.3.3 review the contents of the management representation letter to the External Auditors;
- 2.3.4 review the annual audit report and audited financial statements with the External Auditors prior to their recommendation to the Board;
- 2.3.5 review all recommendations of the External Auditors and, where appropriate, recommend or ascertain that necessary corrective actions have been taken;
- 2.3.6 review with management and the External Auditors any significant litigation, claim or contingency which could have a material effect on the financial position of the SMA;
- 2.3.7 review and discuss all reports from and to the Auditor General;
- 2.3.8 review and discuss all reports from and to the Integrity Commission;
- 2.3.9 recommend the appointment of External Auditors to the shareholders and Board;
- 2.3.10 ¹ensure the tenure of service for engagement partners is limited to a maximum contractual period of seven years with follow-on renewals prohibited.

¹ Corporate Governance Framework for Public Bodies (2012) Principle 13 (7)

2.3.11 ²ensure there is mandatory rotation of the engagement partner of the External Auditors;

2.4 Internal Auditor

2.4.1 The Internal Auditor and the Internal Audit Department report to the Board through the Audit Committee. In order to preserve the independence of the internal audit function, management, through the Managing Director, must first submit suggestions, recommendations concerning change of personnel (whether through suspension, termination, transfer or resignation) to the Audit Committee.

2.4.2 The Committee shall:

- review and approve the annual audit plan and all major changes to the plan;
- review the Internal Auditor's activity and performance relative to plan;
- review with the Internal Auditor, the internal audit budget;
- ensure there are no unjustified restrictions or limitations on the internal audit function;
- schedule periodic meetings with the Internal Auditor, without management, to discuss any matters that the Committee or the Internal Auditor believes should be discussed privately;
- initiate internal audits, if required;
- review the reports prepared by the Internal Auditor and the response or determination of management with respect to any findings or recommendations;
- ensure that the Internal Auditor reports directly to the Audit Committee Chairman and administratively to the Managing Director;
- evaluate the performance of the Internal Auditor;
- endorse the selection and termination of the Internal Auditor.

3. COMPOSITION

The members of the Audit Committee shall be appointed by the Board and should consist of not less than four individuals with at least three directors, one of whom is to be designated as the Chairman.

3.1 ³The board may co-opt, to perform the duties of the Committee, individuals who are not directors but who possess a broad range of qualifications relevant to the function of the SMA.

3.2 ⁴Every co-opted individual shall have all the rights and responsibilities of the other members of the Committee with respect to the work of the Committee.

3.3 ⁵The majority of the members of the Committee should be financially literate and at least one member of the Committee should be a qualified accountant registered under the

² Corporate Governance Framework for Public Bodies (2012) Principle 13 (8)

³ Public Bodies Management and Accountability Act: Section 8 (6)

⁴ Public Bodies Management and Accountability Act: Section 8 (8)

⁵ Corporate Governance Framework for Public Bodies (2012) Principle 13 (1)

Public Accountancy Act or should have significant, recent and relevant financial experience and knowledge.

3.4⁶The Committee should not include the Chairman of the Board and where possible Chairman of the Finance and Procurement Committee.

3.5⁷The membership of the Committee should be rotated every 3 years.

3.6 The Internal Auditor shall be an invitee to all meetings of the Committee.

4. MEETINGS

4.1 The Audit Committee shall meet quarterly and have the authority to convene additional meetings, as may be required. A meeting may be called by the Chairman or by the majority of the members of the committee.

4.2 The Committee may request any member of the management or staff to attend meetings of the Committee in order to carry out its responsibilities. The Committee may report any staff member who fails to attend such meeting[s] without reasonable excuse to his/her Supervisor for action.

4.3 Meeting agendas and documents will be prepared for each meeting and provided at least 5 working days in advance to the Committee members along with appropriate briefing materials.

4.4 Meetings may be conducted via teleconference, face to face or electronically.

5. AUTHORITY

5.1 The Committee has the authority to:

- conduct investigations into any matters within its scope of responsibility.
- seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests;
- meet with officers, external auditors or independent counsel as necessary;
- recommend to the Board that independent counsel, experts and other advisors be retained to advise the Committee or assist in the conduct of an investigation. The SMA shall make annual budgetary provisions to enable such engagement.

6. ACCESS

6.1 The Internal and External Auditors shall have direct access to the Audit Committee at

⁶ Corporate Governance Framework for Public Bodies (2012) Principle 13 (2)

⁷ Corporate Governance Framework for Public Bodies (2012) Principle 13 (13)

any time. Either Auditor shall have the right to contact the Chairman of the Audit Committee to request a special meeting.

- 6.2 The Audit Committee is authorized to review internally and externally generated complaints and concerns regarding internal operations, controls, general policy and procedure which have been brought to the attention of management.

7. REPORTING RELATIONSHIPS

- 7.1 The Audit Committee shall report directly to the Board on the work and findings of the Internal and External Auditors.

8. RESPONSIBILITY OF MANAGEMENT TO THE COMMITTEE

- 8.1 The management of the SMA is directly responsible for the SMA's accounting, financial operational and administrative processes, including the organization and maintenance of appropriate internal controls designed to safeguard assets, and establishing the reliability of accounting, financial, operational and administrative information and ensuring adherence to approved policies.

9.0 QUORUM

- 9.1 The quorum for meetings shall be two (2) members of the Committee of which one (1) must be a member of the Board.

10. COMMITTEE SECRETARY/MINUTES

- 10.1 The Secretary for the Committee shall be the Company Secretary who shall appoint a recording secretary to take the minutes of the meetings.

- 10.2 The Company Secretary is required to:

- circulate the notices, agenda and minutes of the Committee meetings;
- maintain the records of the Committee's meetings

- 10.3 The Audit Committee shall keep detailed records of its meetings and such records shall be made available to the External Auditors and any examiner of the SMA during any external audit or examination.

11. CONFLICT OF INTEREST

- 11.1 Where there is a conflict of interest, the Committee member so affected shall declare his/her interest to the Committee Chairman, and the details of the conflict are to be recorded by the Secretary. That member shall not participate in the deliberations on the particular matter and will recuse himself/herself from the discussion in respect of those interests during the period of discussion of the matter.

12. REMUNERATION

12.1 Members of the Committee will be compensated for meetings attended as per the guidelines of the Ministry of Finance.

13. REVIEW

The Charter shall be reviewed annually or at such intervals as the Board may require.

Recommended by the Audit Committee: **2020 January 16**

Reviewed by the Corporate Governance Committee: **2020 January 21**

Approved by the Board of Directors: **2020 January 30**