TERMS OF REFERENCE (TOR) OF THE ICAP AUDIT COMMITTEE

Approved by the Council in its 288th meeting held on July 7-8, 2017
Terms of Reference
of the ICAP Audit Committee

1. The Council has resolved to establish a Committee to be known as the Audit Committee (referred to as Committee). The Committee assists the Council in fulfilling its oversight responsibilities in respect of:

1.1. Integrity of financial statements;

1.2. Risk management & internal controls system;

1.3. Compliance with legal & regulatory requirements including Council Directives;

1.4. The performance, qualifications & independence of External Auditors; and

1.5. The performance of the Internal Audit function.

2. Membership

2.1. The Committee shall comprise five members with a minimum of three independent members and two Council members not being Office Bearers.

2.2. The Chairman of the Committee shall be a Past President of the Institute. The Committee will be appointed for a period of two years.

2.3. Chief Internal Auditor and Executives of the Institute may be invited to attend part or the entire meeting.

(For the purposes of these Terms of Reference, Executives of the Institute means Executive Director, Secretary, Head of Finance, any Director or Head of Department whether working full time or part time with the Institute)

2.4. The Chief Internal Auditor or any other person nominated by the Committee shall act as Secretary to the Committee.

2.5. Committee Secretary, Executives of the Institute or Chief Internal Auditor will not be eligible to vote.

3. Meetings

3.1. The Committee shall meet at least four times in a year, with authority to convene additional meetings as circumstances require. Two meetings shall coincide with consideration of the half-year and full-year results announcements. Meetings may be called by any member of the Committee or the Committee Secretary.
3.2. A quorum for meetings of the Committee shall be at least three members with at least one independent member present in person.

3.3. Members of the Committee may participate in a meeting by teleconference or video conference. A person so participating is deemed to be present in person at the meeting and shall be counted in a quorum accordingly.

3.4. The Committee shall meet with the Institute’s External Auditors at least on two occasions in a year and hold at least one such meeting with the External Auditors in the absence of Executives of the Institute and Chief Internal Auditor.

3.5. The Committee may call Executives of the Institute to attend its meeting on case to case basis.

3.6. The External Auditors and Chief Internal Auditor may require a meeting with the Committee whenever deemed necessary.

4. Responsibilities

4.1. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Council.

4.2. The Chairman of the Committee or any other independent member of the Committee authorized by the Chairman shall attend the Institute’s Annual General Meeting and will be available to respond to questions regarding the work of the Committee.

4.3. The duties of the Committee shall be:

   i) The integrity of Financial Statements:
      a) To monitor the integrity of the interim and annual financial statements of the Institute and compliance with accounting standards and legal requirements.
      b) Review major accounting and reporting issues, including any significant changes in accounting policies and principles.
      c) To review the financial reporting process.
      d) Review of practices with regard to release and publication of financial information.
      e) To consider any other issue or matter as may be assigned by the Council.

   ii) Risk Management & Internal Control Arrangement:
      a) Review the effectiveness of Internal Controls.
b) Review major areas of risks identified by the management or by the Internal and External Auditors.

c) Determination of appropriate measures to safeguard the assets of the Institute.

d) To monitor compliance with the best practices of Corporate Governance and identification of areas for improvement there-in.

e) To monitor the effectiveness and compliance of the Whistle Blowing Policy of the Institute.

iii) Internal Audit Function

a) Recommend appointment and replacement of Chief Internal Auditor for the approval of the Council.

b) To evaluate Internal Audit performance.

c) To review and approve Annual Internal Audit Plan and monitor its implementation.

d) To direct Chief Internal Auditor to perform specific tasks.

e) Review Internal Audit Charter and make recommendations to the Council for any amendments therein.

f) Review actions taken to resolve key issues identified by the Chief Internal Auditor.

g) Assess HR needs of the Internal Audit department at the request of Chief Internal Auditor and to recommend budgets.

h) At least once a year the Committee shall meet the Chief Internal Auditor and other members of the Internal Audit function without the presence of Executives of Institute and the External Auditors.

i) The Chief Internal Auditor will report functionally to the Chairman of the Committee and administratively to the Secretary.

iv) External Auditors

a) To make recommendations to the Council, for approval in general meeting, in respect of matters relating to the appointment of External Auditors, their re-appointment or removal.

b) To discuss issues arising from the work of the External Auditors including management letter or any other communication and management response thereto.
c) To ensure that there are no unsettled issues of significance between management and the External Auditors which could affect the underlying accuracy of the financial statements.

d) To discuss any unadjusted differences identified during the audit.

e) To develop and implement policy on the engagement of the External Auditors to supply non-audit services, taking into account applicable guidelines issued by the International Federation of Accountants (IFAC) with regard to restriction of non-audit services.

f) Institute shall not appoint External Auditors who are non-compliant with the IFAC Guidelines on Code of Ethics, as applicable in Pakistan.

v) Compliance review of IFAC Statement of Membership Obligations (SMOs)

a) To evaluate the strategy and Standard Operating Procedures (SOPs) formulated for implementation of IFAC SMOs.

b) To review of compliance/ implementation status of each SMO and action plans there against.

5. Communication and Performance Evaluation

5.1. The Committee will communicate to the Council an update on every meeting of the Committee.

5.2. The Committee shall review these Terms of Reference on an annual basis and confirm that all the responsibilities set out in the current Terms of Reference have been carried out.

5.3. The Committee shall prepare a report for members of the Institute for inclusion in the Council's Annual Report and Accounts.