



The Institute of Chartered Accountants of Pakistan

TERMS OF REFERENCE (TOR)

ICAP AUDIT COMMITTEE

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Terms of Reference of the ICAP Audit Committee

1. Introduction

The Institute of Chartered Accountants of Pakistan (ICAP) is committed to good Corporate Governance. In 2009, the ICAP Council established the Audit Committee (referred to as the Committee). The Committee assists the Council in fulfilling its oversight responsibilities for the integrity of financial reporting, risk management, internal control, internal audit and the external audit process. The Institute has voluntarily adopted the requirements of the Public Sector Companies (Corporate Governance) Rules, 2013.

2. Membership

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

The Chairman of the Committee shall be a Past President of the Institute. Audit Committee Members with diverse backgrounds, skills and experience will be appointed to add value to the Committee.

The Head of Internal Audit (HOIA) or any other person nominated by the Committee shall act as Secretary to the Committee.

3. Tenure

The Committee will be appointed for a period of two years by the Council.

4. Meetings and Proceedings

- i. The Committee shall meet at least four times in a year. The meetings shall coincide with consideration of the quarterly, half-yearly and annual results announcement.
- ii. Meetings may be called by any member of the Committee or the Secretary to the Committee. The External Auditors and HOIA may require a meeting with the Committee whenever deemed necessary.
- iii. 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 HOIA. In case where HOIA is the Secretary to the Committee and is not present, the Chairman of the Committee will ensure that all important matters coming out of the meeting are documented and conveyed to the Secretary for recording.

- iv. Quorum for meetings of the Committee shall be at least three members with at least one independent member present. Members of the Committee participating in a meeting by teleconference or video conference will be deemed to be present and counted in the quorum.
- v. The Chief Financial Officer (CFO), HOIA and representative of external auditors shall attend meetings of the Audit Committee in which the interim and annual financial statements of the Institute are discussed. At least once a year, the Committee shall meet the HOIA and other members of the Internal Audit function without the presence of other Executives of Institute and the External Auditors.
- vi. HOIA and any Executive of the Institute may be invited to attend part or the entire meeting but will not be eligible to vote.
- vii. Once a year, the Chairman of the Committee will meet with the President of the Institute to discuss related issues and areas of significance.

5. Remit: Roles and Responsibilities of the Audit Committee

The roles and responsibilities of the Audit Committee will include the following:

- i. Review of annually, half-yearly and quarterly financial statements of the Institute, prior to their approval by the Council, focusing on major judgment areas, review major accounting & reporting issues, significant adjustments resulting from the audit, the going-concern assumption, any changes in accounting policies and practices and compliance with applicable accounting standards & legal requirements;
- ii. Review of financial information, Governance Statement and Risk Management as published in the Annual Report of the Institute and compliance with the Public Sector Rules 2013;
- iii. Ascertaining the adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure;
- iv. Determination of appropriate measures to safeguard the assets of the Institute;
- v. Review the risk management process, identification and documentation of major risks in the Risk Assessment Matrix (Risk Log), and adequacy and effectiveness of internal controls to mitigate these risks;
- vi. Monitor the effectiveness of the whistle-blowing policy and protection mechanism and consider major findings of whistle blowing complaints and management's response thereto;

- vii. Conduct assignments on any matter including those directed by the Council and ensure adequate resources and access to relevant information;
- viii. Monitoring compliance with the best practices of Corporate Governance;
- ix. The Committee will oversee the following activities related to the Internal Audit Function and internal controls:
 - a) Recommend to the Council the appointment and replacement of HOIA. The HOIA will report functionally to the Chairman of the Committee and administratively to the Secretary of the Institute;
 - b) Review the scope of Internal Audit, Terms of Reference (TORs) and Audit Charter after every two years on change in composition of the Committee;
 - c) Approve the annual Internal Audit Plan and monitor its implementation. The annual Internal Audit Plan will include a periodic review of the Standard Operating Procedures (SOPs) formulated, for implementation of International Federation of Accountants (IFAC) Statement of Membership Obligations (SMOs) including its compliance and implementation and assignments given by the Council, Executive Committee or President from time to time. Any assignments requested by the management should be pre-approved by the Chairman of the Committee;
 - d) Review internal audit reports and discuss all significant matters related to internal audit findings and management response thereto. All internal audit reports will be circulated to the Office Bearers and Secretary of the Institute;
 - e) Review management progress on actions committed against internal / external audit findings;
 - f) Evaluate HOIA / Internal Audit performance including for the purpose of review / recommendation of remuneration; and
 - g) Assess HR needs of the Internal Audit department at the request of HOIA and review budgets.
- x. In respect of External Auditors:
 - a) Recommend to the Council, for approval in general meeting, the appointment of External Auditors, their re-appointment or removal;
 - b) Discuss with external auditors, issues arising from the interim and final audits including a review of the management letter and management response thereto;

- c) To facilitate the external audit and discuss with external auditors major observations arising from interim and final audit / review and any matter that the auditors may wish to highlight;
- d) Discuss any unadjusted differences identified during the audit;
- e) Any non-audit services if assigned to external auditors, will comply with the guidelines of the IFAC. The Institute shall not appoint External Auditors who are non-compliant with the IFAC Guidelines on Code of Ethics, as applicable in Pakistan.

6. Mandate and Authority

- i) The Audit Committee has authority to examine anything within its TORs and shall be provided with adequate resources and access to all relevant information in this regard.
- ii) The Committee is authorized to seek information from any Executive or other employee of the Institute.
- iii) Considering the sensitivity and confidentiality aspects, the Committee shall not review the specific processes relating to the Institute's examination papers, their assessments, solutions and compilation of results. Other areas and processes of the examination department shall fall under the mandate of Audit Committee including review of any administrative matter, Information Technology aspects, other internal controls and investigation on specific issues.

7. Reporting Responsibilities

- i) The Secretary to the Committee or any other Executive of the Institute shall circulate the minutes of meetings of the Committee to all members of the Council.
- ii) Significant audit matters as reported in the audit reports will be summarized by the HOIA and submitted to the Council.
- iii) The Committee Chairman shall issue a brief half yearly report to the Council on proceedings of the Committee on key matters. Once in a year, the Chairman of the Audit Committee will brief the Council in person to update on matters deliberated by the Audit Committee.

- iv) 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.
- v) The Chairman Audit Committee shall issue a report for members of the Institute for inclusion in the Council's Annual Report.

8. Performance Evaluation of the Audit Committee

- i) The Committee shall review and assess annually the adequacy and effectiveness of these Terms of Reference and ensure that all the responsibilities set out in the Terms of Reference have been carried out.
- ii) The Committee shall annually conduct a self-evaluation of its performance according to a pre-established criteria.