



# Financial Services Authority

TERMS OF REFERENCE

AUDIT COMMITTEE

## CONTENTS

1.	PURPOSE .....	2
2.	AUTHORITY .....	2
3.	MEMBERSHIP .....	3
4.	SECRETARY .....	3
5.	ATTENDANCE OF MEETINGS .....	3
6.	FREQUENCY OF MEETINGS .....	3
7.	NOTICE OF MEETINGS .....	4
8.	MINUTES OF MEETING .....	4
9.	DUTIES & RESPONSIBILITIES OF THE AUDIT COMMITTEE .....	4
	9.1. <i>Financial Reporting (General)</i> .....	4
	9.2. <i>Financial Reporting (Annual Financial Statements)</i> .....	5
	9.3. <i>Narrative Reporting</i> .....	5
	9.4. <i>Compliance, Whistle Blowing &amp; Fraud</i> .....	5
	9.5. <i>Internal Controls</i> .....	6
	9.6. <i>Risks</i> .....	6
	9.7. <i>The Internal Audit Process</i> .....	6
	9.8. <i>Relationship with The External Auditor</i> .....	7
	9.9. <i>Other Responsibilities</i> .....	7
10.	QUORUM .....	8
11.	REMUNERATION .....	8
12.	APPROVAL OF THE TERM OF REFERENCE .....	9
13.	VERSION CONTROL .....	10

## **1. PURPOSE**

- 1.1 The Financial Services Authority (FSA) shall establish an Audit Committee (the committee) in accordance with Section 6 of the Financial Services Authority Act, 2013.
- 1.2 The committee will be the governance body that will be charged with oversight of the FSA's audit and control functions.
- 1.3 The committee will assist the Board of Directors (the board) of the FSA in fulfilling its oversight responsibilities. The committee will review the:
  - 1.3.1. Financial reporting process;
  - 1.3.2. System of internal control and risk management;
  - 1.3.3. Internal audit process;
  - 1.3.4. Process for monitoring compliance with laws, regulations and governance.

## **2. AUTHORITY**

- 2.1. The committee can authorise investigations into any matters within its scope of responsibility.
- 2.2. Every member of the committee shall keep confidential and not disclose any information obtained in the course of its functions to third parties.
- 2.3. The committee is authorised by the board to:
  - 2.3.1. Seek for any information it requires from any employee of the FSA. All employees are directed to co-operate with any request made by the committee.
  - 2.3.2. Seek for any information it requires from connected parties including the clients of the FSA.
  - 2.3.3. Call any employee to be interrogated at a meeting as and when required.
  - 2.3.4. Assist in resolving any disagreements between management and the auditor regarding financial reporting.
  - 2.3.5. Approve all auditing and non-audit services to be performed by the Internal Audit Section.

### 3. MEMBERSHIP

- 3.1. The board will appoint the committee.
- 3.2. The committee must consist of three (3) non-executive members of the board.
- 3.3. All members of the committee must be independent Non-Executive Directors of the board.
- 3.4. The board will appoint the chairperson of the committee.
- 3.5. The chairperson of the board must not be a member of the committee.
- 3.6. At least one member should have recent and relevant financial experience with competence in accounting /auditing.

### 4. SECRETARY

- 4.1. The internal auditor of the FSA will act as the secretary of the committee.
- 4.2. The secretary will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### 5. ATTENDANCE OF MEETINGS

- 5.1. Only the members of the committee have the right to attend the committee meetings.
- 5.2. Other individuals such as the Chairperson of the board, the Chief Executive Officer, the other board members, the auditors, the executive directors and other members of staff may be invited to attend all or part of any of the committee's meeting as and when appropriate.
- 5.3. All members and invitees are expected to attend the meetings in person or through video conferencing (where necessary).
- 5.4. In the absence of the committee chairperson, the remaining members present shall elect one of themselves to chair the meeting.

### 6. FREQUENCY OF MEETINGS

- 6.1. The committee will meet at least four (4) times a year.
- 6.2. The committee has the authority to convene additional meetings, as circumstances require.
- 6.3. There should be **at least** one (1) meeting a year, or part thereof, where the committee meets with the External Auditor and the Head of Internal Audit, without the presence of management.

## **7. NOTICE OF MEETINGS**

- 7.1. Meetings of the committee should be called by the secretary of the committee at the request of the chairperson of the committee or other committee members.
- 7.2. The Head of Internal Audit or the External Auditor may also request for audit committee meetings which shall be called upon if considered necessary.
- 7.3. Unless otherwise agreed, the secretary shall give notice of each meeting to each member of the committee and any other person(s) who is required to attend the meeting, no later than one (1) week before the meeting.
- 7.4. The notice shall confirm the date, time and venue of the meeting and the agenda of the topics to be discussed, together with the supporting paper.

## **8. MINUTES OF MEETING**

- 8.1. The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 8.2. The minutes of the committee meetings shall normally be considered at the board meeting following the committee meeting.

## **9. DUTIES & RESPONSIBILITIES OF THE AUDIT COMMITTEE**

### ***9.1. Financial Reporting (General)***

The committee will:

- 9.1.1. Review and report to the board on the significant accounting and financial reporting issues and judgments made in connection with the preparation of the FSA's financial statements, having regard to matters communicated to it by the auditors.
- 9.1.2. Consider significant accounting policies, any changes to them and any significant estimates and judgments. Taking into account the External Auditor's view, the committee should consider whether the FSA has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgments.
- 9.1.3. Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively.
- 9.1.4. Consider with the External Auditor, any fraud, illegal acts, deficiencies in internal control or other similar issues.
- 9.1.5. Where the committee is not satisfied with any aspect of the proposed financial reporting by the FSA it shall report its views to the board.



## **9.2. Financial Reporting (Annual Financial Statements)**

The committee will:

- 9.2.1. Review and monitor the integrity of the annual financial statements of the FSA, determining whether they are complete and consistent with the information known to the committee members.
- 9.2.2. Assess whether the financial statements reflect appropriate accounting standards and principles, and make appropriate estimate and judgment, taking into account the view of the External Auditor.
- 9.2.3. Review and challenge where necessary the consistency of and any changes to accounting policies on a year to year basis.
- 9.2.4. Review the clarity of disclosure in the financial statements and the context in which the statements are made.
- 9.2.5. Pay particular attention to complex/unusual transactions. Review and challenge the methods used to account for them where different approaches are possible.
- 9.2.6. Focus on judgmental areas, for example those involving valuation of assets and liabilities.

## **9.3. Narrative Reporting**

Where requested by the board, the committee should review the content of the annual report and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the FSA's performance, business model and strategy.

## **9.4. Compliance, Whistle Blowing & Fraud**

- 9.4.1. The committee is responsible for assuring that the FSA is complying with pertinent laws and regulations, is conducting its affairs ethically and is maintaining effective control to determine employees' conflict of interests and fraud.

The committee will:

- 9.4.2. Review the adequacy and security of the FSA's arrangements for its employees to raise concern in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 9.4.3. Review the FSA's procedures for detecting fraud.
- 9.4.4. Review the FSA's systems and controls for the prevention of bribery.
- 9.4.5. Receive and review non- compliance reports.

## **9.5. Internal Controls**

The committee will:

- 9.5.1. Ensure that there are regular reviews performed by the Internal Audit Section on the FSA's internal control and risk management systems.
- 9.5.2. Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk.
- 9.5.3. Consider how management is held to account for the security of computer systems and applications, and the contingency plan for processing financial information in the event of a system breakdown.
- 9.5.4. Review whether internal control recommendations made by the Auditors have been implemented by management.
- 9.5.5. Review the statements to be included in the annual report concerning internal controls and risk management.
- 9.5.6. Review reports from management on the effectiveness of the system they have established and the conclusions of any testing carried out by Internal Audit.

## **9.6. Risks**

The committee will:

- 9.6.1. Advise the board on the overall risk appetite, tolerance and strategy in connection with the business plans and operations of the FSA, taking into account the current and prospective local and international regulatory, political, trading and economic environments within which the FSA operates.
- 9.6.2. Oversee and advise the board on the current risk exposure of the FSA and future risk strategy.
- 9.6.3. Review and monitor the effectiveness of the risk management systems, including reviewing the process of identifying, assessing and reporting key risks and control activities.

## **9.7. The Internal Audit Process**

In its review of the work of the Internal Audit Section, the committee will:

- 9.7.1. Approve the Internal Audit Section's charter.
- 9.7.2. Ensure that the Head of Internal Audit has direct access to the Chairman of the Audit Committee and to the committee.
- 9.7.3. Ensure that the Internal Audit Section is accountable to the committee.

- 9.7.4. Review and approve the Internal Audit plans.
- 9.7.5. Receive and review reports of all audits performed during the year.
- 9.7.6. Review and monitor management's responsiveness to the findings and recommendations of the Auditors.
- 9.7.7. Receive and review status reports on the progress of management's implementation of corrective actions resulting from both internal and external audits.
- 9.7.8. Meet with the Head of Internal Audit to discuss the remit and any issues arising from the internal audits carried out.
- 9.7.9. Understand whether internal audit recommendations have been implemented by management.
- 9.7.10. Jointly assess the performance of the Head of Internal Audit with the Chief Executive Officer of the FSA. The committee will also provide their input for the setting of the Internal Audit Section's annual objectives for the purpose of performance appraisal.

## ***9.8. Relationship with The External Auditor***

The committee shall oversee the audit coverage for the External Auditor, including;

- 9.8.1. Audit engagement letters.
- 9.8.2. Liaison between the Internal Audit Section and the External Auditor.
- 9.8.3. Monitor audit results;  
For non-audit services, the Committee must approve such activities undertaken by the external auditor. If there was a process of tender for the external auditor, the selection process would also be undertaken by the Committee.

## ***9.9. Other Responsibilities***

- 9.9.1. Periodically report to the board on the committee's activities.
- 9.9.2. Periodically review the committee's Terms of Reference and, if required, recommend any changes necessary for adoption by the board.
- 9.9.3. Any other responsibilities as may be prescribed by the board.



## **10. QUORUM**

The quorum necessary for the transaction of business shall be two (2) members.

## **11. REMUNERATION**

The members of the committee shall be remunerated as decided by the board and in accordance with the relevant policies.

## 12. APPROVAL OF THE TERM OF REFERENCE

This Term of Reference for the Audit Committee has been approved by the Board of Directors of the FSA on the \_\_\_\_\_

<b>Name:</b>	<b>Designation:</b>	<b>Signature:</b>
Mr. Suketu Patel	Chairman	
Dr. Steve Fanny	Director and Chief Executive Officer	
Ms. Seylina Verghese	Director	
Ms. Jenifer Sullivan	Director	
Mr. David Esparon	Director	
Mr. Robert Stravens	Director	
Mr. Philip Moustache	Director	
Ms. Cindy Vidot	Director	
Mrs. Veronique Herminie	Director	
Mr. Mike Laval	Director	

### 13.VERSION CONTROL

Document history and version control	
Last Amendment Date	18-Dec-2020
Responsible Department	Internal Audit
Contact Person	Internal Auditor

Version	Date Approved	Approved By	Brief Description
1	18-Sep-2015	Audit Committee and CEO.	Creation of original document.
2	18-Dec-2020	FSA Board	Amendment to font, design, layout, cover and content for certain responsibilities of the Audit Committee.