

9/2/2

G8 Audit and Risk Committee Terms of Reference

Author:	Ann Easton	Designation:	Company Secretary
Reviewed by	Ayesha Swalah		CFO
Recommended for Board approval by Audit and Risk Committee	Zahid Fakey		Chairman of the Audit and Risk Committee
Approved By:	Prof Bridgette Gasa		Chairperson – Board
Effective Date:	1 April 2021	Review Date:	31 March 2023

This is the annual revision of an existing document.

1. Role of the Committee

The role of the Audit and Risk Committee ("the Committee") is to assist the Board of Dube TradePort Corporation ("DTPC") in discharging its responsibilities to safeguard DTPC's assets, maintain adequate accounting records and development and maintain an effective system of internal control and risk management over DTPC and its subsidiary La Mercy JV Property Investments Proprietary Limited ("the DTPC Group").

The Committee is constituted as a statutory committee of the DTPC Board in respect of section 51(1)(a)(ii) of the Public Finance Management Act, 1999. Its duties are defined in terms of section 27.1 of the Treasury Regulations and a committee of the Board, in respect of all other duties assigned to it by the Board.

These terms of reference are subject to the provisions of the Public Finance Management Act (No.1 of 1999), Treasury Regulations, The KwaZulu-Natal Dube TradePort Corporation Act (No. 2 of 2010) and any other applicable law or regulatory provision.

2. Authority

The Committee is authorised by the DTPC Board to investigate matters within its powers as identified in the written terms of reference. The Committee must be provided with the resources it needs to investigate such matters and is authorised to have full access to information. The Committee must safeguard all the information provided to it within the ambit of the law.

The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to the Board. On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.

Audit and Risk Committee Terms of Reference

The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in the terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfillment of its duties, may call upon the chairpersons of the other Board Committees, any of the top management, DTPC officers, and Company Secretary or assurance providers to provide it with information subject to Board approved process.

The Committee has reasonable access to the DTPC Group's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following Board approved process. Access to the records of the subsidiary will be conducted through the Audit and Risk Committee of that entity.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at DTPC's cost, subject to a Board approved process being followed.

3. Committee Organisation

3.1. **Composition**

- 3.1.1. The Committee and its Chairperson are appointed by the DTPC Board as a committee of the Board.
- 3.1.2. The Chairperson's term of office is a maximum of five years and may be renewed for a second consecutive term of five years after which a cooling off period of five years should be observed before the person would be eligible to serve again.
- 3.1.3. A Committee member's term of office is a maximum of five years, and may be renewed for a second consecutive term of five years after which a cooling off period of five years should be observed before the person would be eligible to serve again.

Audit and Risk Committee Terms of Reference

- 3.1.4. The Committee must at all times have a minimum of three members, which includes the independent Chairperson.
- 3.1.5. The majority of members of the Committee shall consist of non-executive members appointed by the Board, although not all members need be members of the DTPC Board.
- 3.1.6. The majority of persons serving on the Committee must be financially literate. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within the DTPC Group.
- 3.1.7. The Chairperson of the Committee must be independent, be knowledgeable of the status of the position, have the requisite business, financial and leadership skills and may not be the Chairperson of the Board or a person who fulfills an executive function at DTPC.
- 3.1.8. Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc basis for special matters, unless prior apology with reasons has been submitted to the Chairperson or Company Secretary.
- 3.1.9. Absence of a member, without leave, of two or more consecutive meetings is grounds for removal from the Committee, subject to Board approval.

3.2. Meetings

- 3.2.1. The Committee must meet at least four times each financial year.
- 3.2.2. The Committee must meet at least annually with the external auditor and/or the Auditor General and internal audit to ensure that there are no unresolved issues of concern.

Audit and Risk Committee Terms of Reference

- 3.2.3. Two Committee members (including the Chairperson) constitute a quorum.
- 3.2.4. While not a member of the Committee, the Chief Financial Officer is required to attend Committee meetings.
- 3.2.5. While not a member of the Committee the Chief Executive Officer has a standing invitation (from the Chairperson) to attend the meetings.

3.3. Attendance

- 3.3.1. The Chief Executive Officer, Chief Financial Officer, Company Secretary, representatives from the internal auditors, the external auditors, other assurance providers, professional advisors and Board members may be in attendance at Committee meetings, but by invitation only and they may not vote. The Chairperson of the Audit and Risk Committee of the subsidiary will be invited to report and provide feedback on the activities of that committee.
- 3.3.2. Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or Company Secretary.
- 3.3.3. Committee members may attend a meeting via teleconference with prior arrangement with the Chairperson and Company Secretary.

3.4. Agenda and Minutes

- 3.4.1. The Committee must establish a work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
- 3.4.2. The annual plan must ensure proper coverage of the matters laid out in these terms of reference: the more critical matters will need to be attended to annually, while other matters may be dealt with on a

Audit and Risk Committee Terms of Reference

- rotational basis over a three-year period. The number, timing and length of the meetings are to be determined in accordance with the annual plan.
- 3.4.3. A detailed agenda together with supporting documentation must be circulated, at least one week prior to each meeting, to the Committee members and other invitees.
 - 3.4.4. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input.
 - 3.4.5. The minutes must be completed within seven working days after the meeting and circulated to the Chairperson and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

4. Mandate

The Committee has the following specific responsibilities:

4.1. Integrated reporting

The Committee oversees integrated reporting, and in particular the Committee must:

- 4.1.1. Monitor the adequacy, reliability and accuracy of the financial information provided by management to other users of such information;
- 4.1.2. Review the annual financial statements, integrated information, and relevant performance information included in the integrated (annual report) report;
- 4.1.3. Comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 4.1.4. Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 4.1.5. Have regard to all factors and risks that may impact on the integrity of the integrated report, including any evidence that brings into question any previously published information, forward-looking statements or information, in particular:

Audit and Risk Committee Terms of Reference

- Financial reporting risks;
 - Internal financial controls (review the internal control structure including financial controls, accounting systems and reporting);
 - Fraud risks as it relates to financial reporting;
 - IT risks as it relates to financial reporting;
- 4.1.6. Recommend the integrated report for approval by the Board; and
- 4.1.7. Engage external service providers to provide assurance on the non-financial information if appropriate.

4.2. Combined assurance

The Committee will ensure that a combined assurance model is applied to a co-ordinated approach to all assurance activities, and in particular the Committee should:

- 4.2.1. Ensure that the combined assurance received is appropriate to address all the significant risks facing the DTPC Group;
- 4.2.2. Liaise with and provide support to external and internal auditors; and
- 4.2.3. Monitor the relationship between the external assurance providers and the DTPC Group.

4.3. Finance function

The Committee reviews the expertise, resources and experience of the DTPC Group's finance function, and discloses the results of the review in the integrated report.

4.4. Internal audit

The Committee is responsible for overseeing of internal audit, and in particular the Committee must:

- 4.4.1. Be responsible for the appointment, performance and/or dismissal of the internal audit service providers;
- 4.4.2. Approve the internal audit plan;
- 4.4.3. Monitor and review the effectiveness of the internal audit;
- 4.4.4. Review the activities of the internal audit function, including compliance with the Internal Audit Charter;

Audit and Risk Committee Terms of Reference

- 4.4.5. Annual work programme and budgets and co-ordination with the external auditors;
- 4.4.6. Address any accounting or auditing concerns identified as a result of the internal audit;
- 4.4.7. Confirm that the internal audit function is subject to an independent quality review; and
- 4.4.8. Consider any additional services rendered by the internal audit service provider for recommendation to the Board.

4.5. Compliance

The Committee is responsible for overseeing the compliance of the DTPC Group, and in particular the Committee must:

- 4.5.1. Review the DTPC Group's compliance with legal and regulatory provisions;
- 4.5.2. Monitor and report the compliance, or non-compliance, in the integrated report as appropriate;
- 4.5.3. Review the policies falling within its ambit and recommend to the Board for approval; and
- 4.5.4. Review the delegations of authority for appropriateness and recommend to the Board for approval.

4.6. Performance Management

The Committee is responsible for overseeing the performance management in DTPC Group, and in particular the Committee must:

- 4.6.1. Take part in the strategic review of the Annual Performance Plan and ensure the targets contribute to operational efficiencies within the organisation.

4.7. ITC Governance

The Committee is responsible for overseeing the governance of ICT in DTPC Group, and in particular the Committee must:

Audit and Risk Committee Terms of Reference

- 4.7.1. Review the DTPC Group's compliance with legal, regulatory and best practice to minimise the risk resulting from ineffective ICT Governance; and
- 4.7.2. Annually review the policies falling within its ambit and recommend policies with significant changes or new policies to the Board for approval.

4.8. Risk management

The Committee is an integral component of the risk management process and specifically the Committee must:

- 4.8.1. Oversee the development and annual review of a risk management framework and plan to recommend for approval to the Board;
- 4.8.2. Monitor implementation of the policy and plan for risk management systems and processes;
- 4.8.3. Make recommendations to the Board concerning the levels of risk tolerance and appetite and monitoring that risks are managed within levels of tolerance and appetite as approved by the Board;
- 4.8.4. Review the reports detailing the adequacy and overall effectiveness of the organisation's risk management function and oversee that the risk management plan is widely disseminated throughout the DTPC Group and integrated in the day-to-day activities of the organisation;
- 4.8.5. Ensure that risk management assessments are performed on a continuous basis;
- 4.8.6. Ensure that the frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- 4.8.7. Ensure that management considers and implements appropriate responses;
- 4.8.8. Review, when appropriate, together with the organisation's legal advisor, any legal matters that could have a significant impact on the organisation's business;

Audit and Risk Committee Terms of Reference

- 4.8.9. Review the adequacy of the Group's insurance coverage;
- 4.8.10. Review the high risk contracts;
- 4.8.11. Review and monitor the implementation of B-BBEE initiatives as they may impact on the B-BBEE scorecard;
- 4.8.12. Review and make recommendations on all policy documents relating to business continuity and reputational risk;
- 4.8.13. Express the Committee's formal opinion to the Board on the effectiveness of the systems and effectiveness of the system and process of risk management.

4.9. External audit

The Committee is responsible for overseeing the external audit process and in this regard the Committee must:

- 4.9.1. Review the audit plan and remuneration for the external audit engagement (cost-effectiveness);
- 4.9.2. Pre-approve the contracts for non-audit services to be rendered by the external auditor;
- 4.9.3. Address any accounting or auditing concerns identified as a result of the external audit;
- 4.9.4. Ensure that there is a process for the Audit and Risk Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor; and
- 4.9.5. Review the quality and effectiveness of the external audit process.

5. Duties of the Committee

The Committee must:

- 5.1. Report and make recommendations to the Board;
- 5.2. Report on the effectiveness of internal controls in the integrated report of the DTPC Group;
- 5.3. Review the integrated report before submission to the DTPC Board for approval;

Audit and Risk Committee Terms of Reference

- 5.4. Comment on its evaluation of the financial statements in the integrated report of DTPC;
- 5.5. Communicate any concerns it deems necessary to the Board, and the Auditor General;
- 5.6. Promptly advise the Executive Authority and the Auditor General of any report implicating a member of the Board in fraud, corruption or gross negligence; and
- 5.7. The Committee members will be remunerated in terms of DTPC Policy: G6 Remuneration of Board and Committee Members.

6. Reporting Responsibilities and Procedures

The Committee is a Committee of the DTPC Board and it reports to the Board. The Chairperson (or in his/her absence an alternate member) shall account to the Board for the Committee's activities and make recommendation to the Board concerning the adoption of the integrated report and any other matters arising from their responsibilities.

The Committee shall receive regular reports on the activities of the Audit and Risk Committee of the subsidiary, La Mercy JV Property Investments Proprietary Limited. As required the Committee shall include matters concerning the subsidiary in its reports to the Board.

6.1. Reporting to the Board:

The Audit and Risk Committee must:

- 6.1.1. Report and make recommendations to the Board (Treasury Regulations 27.1.10), this is achieved by circulation of the minutes of Audit and Risk Committee meetings and verbal feedback by the members of the Audit and Risk Committee;
- 6.1.2. Report on the effectiveness of the internal controls in the annual report of the institution; and
- 6.1.3. Comment on its evaluation of the financial statements in the annual report.

6.2. Reporting to the Executive Authority or Auditor General

In compliance with Treasury Regulations 27.1.11 should a report from internal audit, or any other source, to the Audit and Risk Committee implicate any member of the Board in fraud, corruption or gross negligence, the Chairperson of the Audit and Risk Committee should report this to the Executive Authority and to the Auditor-General.

Further, the Audit and Risk Committee must communicate any concerns it deems necessary to the Executive Authority.

7. Annual evaluation

An assessment of the Committee's duties and an evaluation of its performance are performed on an annual basis by the DTPC Board.

8. Approval of these terms of reference

These terms of reference were approved by the Chairman of the Committee and the Chairperson of the Board and will be due for review every two years or as and when required.

9. Records

Indicates the storage specifications and destruction requirements of a record

Record Name	Location	Responsibility	Retention Period	Disposal
Terms of Reference of the Audit and Risk Committee	Policy Master File	Company Secretary	Indefinite	Indefinite

10. Version History

Indicates the changes made to a document over its lifetime:

Date	Version No.	Nature of Change	Approval
2013	Version 1	New	Board
2014	Version 2	Reviewed by Audit and Risk Committee	Board
2015	Version 3	Reviewed by Audit and Risk Committee	Board
2016	Version 4	Changes suggested by Internal Audit Reviewed by Audit and Risk Committee	Board
2017	Version 5	Reviewed by Audit and Risk Committee	Board
2018	Version 6	Reviewed by Audit and Risk Committee	Board
2019	Version 7	Reviewed by Audit and Risk Committee	Board
2021	Version 8	Reviewed by Audit and Risk Committee	Board

ANNEXURE A

Materiality and significance framework

March 2021

In terms of Section 28 (3) of the Treasury Regulations

The accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority.

For purposes of materiality and significance (refer section 50(1), section 55(2) section 54 (2) of the Public Finance Management Act) the Dube TradePort Board has developed and agreed upon a framework of acceptable materiality and significance. This had been developed with the relevant executive authority in consultation with the external auditors.

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
Section 50 Fiduciary duties of accounting authorities		
50(1)(c) The accounting authority for a public entity must on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts including those reasonably discoverable, which in anyway may influence the decisions or actions of the executive authority or that legislature.	Any fact discovered of which the amount exceeds the planning materiality, (as used by the external auditors) after consultation with the Audit and Risk Committee for the year under review. Management to consult external auditors annually to gain understanding of the planning materiality. The following percentages are used to determine the materiality figure(s) – 0.5% of	1. Any item or event of which specific disclosure is required by legislation, King IV Report or GRAP. 2. Any fact discovered of which its omission or misstatement, in the Board's opinion, could influence the decisions or actions of the executive authority or legislature.

Audit and Risk Committee Terms of Reference

	<p>total revenue if the item concerned is a revenue or expenditure/ financial performance item (i.e. a statement of comprehensive income item), whether included in the statement of financial performance and/or disclosed in the financial statements; or</p> <p>- 1% of total assets if the item concerned is an asset or liability/ financial position item (i.e. a statement of financial position item), whether included in the statement of financial position and/or disclosed in the financial statements.</p>	
--	--	--

Section 55		
Annual Report on financial statement		
PFMA Section	Quantitative (Amount)	Qualitative (Nature)
55(2)(b)(i) The annual report and financial statements referred to in subsection (1)(d) must (b) include particulars of (i) any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure that occurred during the financial year.	<p>Whilst there is zero tolerance to Fraud and Corruption.</p> <p>Only amounts in excess of R100,000 will be disclosed in the AFS.</p> <p>Unauthorised expenditure all amounts greater than R 0 will be disclosed in the AFS.</p> <p>Each matter should be considered on an ad hoc basis and a lower amount may be considered where there is a very clear and specific expectation that the executive authority or stakeholders may reasonably be affected by a lesser amount than the initial materiality figure.</p>	<p>1. Losses through criminal conduct – any loss greater than R100 000 identified (irrespective of nature of criminal conduct) will be reported.</p> <p>2. Any fruitless and wasteful expenditure, as defined by PFMA, involving gross negligence, will be reported, irrespective of value and nature.</p>
Section 54 : Information to be submitted by accounting authorities		
<p>(2) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:</p>		

Audit and Risk Committee Terms of Reference

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
<p>54(2)(b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.</p> <p>except:</p> <ul style="list-style-type: none"> • With any other organ of state; or • In the ordinary course of business at market rates. 	<p>Value of interest exceeds more than 2% of total assets.</p> <p>Each matter should be considered on an ad hoc basis and a lower amount may be considered where there is a very clear and specific expectation that the executive authority or stakeholders may reasonably be affected by a lesser amount than the initial materiality figure.</p>	<p>Any participation outside of the approved strategic plan/annual performance plan.</p> <p>All transactions to be approved by the Board.</p>
<p>54(2)(c) Acquisition or disposal of a significant shareholding in a company.</p>	<p>Acquisition/Disposal exceeds more than 10% of shares in that company.</p> <p>Each matter should be considered on an ad hoc basis and a lower amount may be considered where there is a very clear and specific expectation that the executive authority or stakeholders may reasonably be affected by a lesser</p>	<p>Any acquisition or disposal outside the approved strategic plan and budget.</p> <p>All transactions to be approved by the Board.</p>

Audit and Risk Committee Terms of Reference

	amount than the initial materiality figure.	
54(2)(d) Acquisition or disposal of significant asset.	<p>Acquisition: More than 10% of total asset value.</p> <p>Disposal: More than 5% of total assets except for intellectual property held by custodian.</p> <p>Each matter should be considered on an ad hoc basis and a lower amount may be considered where there is a very clear and specific expectation that the executive authority or stakeholders may reasonably be affected by a lesser amount than the initial materiality figure.</p>	<p>(1) Any asset that will increase/ decrease the overall operating function the entity, outside of the approved strategic plan and budget.</p> <p>All transactions to be approved by the Board.</p>
54(2)(e) Commencement or cessation of a significant business activity.	Not applicable.	<p>Any business activity that would increase or decrease the overall operating functions of the entity, outside of the approved strategic plan and budget.</p> <p>All transactions to be approved by the Board.</p>
54(2)(f) A significant change in the nature or extent of its interest in a significant	Value of change in interest exceeds 5% of total assets.	Any change to existing interest in partnership, trust, unincorporated joint

Audit and Risk Committee Terms of Reference

<p>partnership, trust, unincorporated joint venture or similar arrangement.</p>	<p>Each matter should be considered on an ad hoc basis and a lower amount may be considered where there is a very clear and specific expectation that the executive authority or stakeholders may reasonably be affected by a lesser amount than the initial materiality figure.</p>	<p>venture or similar arrangement outside of the approved strategic plan and APP.</p> <p>All transactions to be approved by the Board.</p>
---	--	--

Audit and Risk Committee Chairperson	Mr. Zahid Fakey
Chairperson of DTPC Board	Prof. Bridgette Gasa
Member of Executive Council	Mr Ravi Pillay