

Principle 3 – Accountability, Audit and Safeguard Integrity in Financial Reporting

BEST PRACTICE RECOMMENDATIONS

1. Establishment of the Board Audit Committee

- 1.1 The Board has established a Board [Audit Committee \("BAC"\)](#) of at least Three (03) members. The members so appointed shall not have any relationship which in the opinion of the Board would interfere with the exercise of independent judgment in carrying out the functions of the [BAC](#);
- 1.2 The Board has ensured to satisfy itself that the members are all financially literate (i.e. are able to read and understand financial statements); at least one (01) member has financial expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters); and some members have an understanding of the industry in which the entity operate;
- 1.3 The [BAC](#) has a Charter/Terms of Reference, explaining its role, responsibilities, composition, structure and the authority delegated to it by the Board (as adopted by the Board at its meeting held on 08th April 2004);
- 1.4 The [BAC](#) is given the necessary power and resources to meet its charter. This will include rights of access to management and to auditors (external and internal) without management present and rights to seek explanations and additional information;
- 1.5 The [BAC](#) shall meet at least four times a year to undertake its role effectively. The [BAC](#) shall keep minutes of its meetings and these shall ordinarily be included in the papers for the next full Board meeting after each Board Audit Committee meeting;
- 1.6 The [BAC](#) shall report to the Board. The report shall contain all matters relevant to the Committee's role and responsibilities, including:
 - Assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
 - Assessment of the management processes supporting external reporting;
 - Procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - Recommendations for the appointment or removal of an auditor;
 - Assessment of the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
 - Assessment of the performance and objectivity of the internal audit function;
 - The results of its review of risk management and internal compliance and

control systems. Principle 5 provides further guidance on this matter.

- 1.7 The [BAC](#) shall monitor and review the effectiveness of the internal audit activities (refer Principle 5);
- 1.8 The [BAC](#) shall have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors and to recommend the audit fee payable thereof

2. Financial Reporting

- 2.1 The Board will present a balanced and understandable assessment of the Company's position and prospects.

2.2 Formulated a structure of review and authorization designed to ensure the truthful and factual presentation of the company's financial position and independently verify and safeguard the integrity of the company's financial reporting. The structure includes:

- review and consideration of the accounts by the [AC](#).

- 2.3 The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to declare in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- 2.4 The Directors' have explained in the annual report regarding their responsibility to prepare the accounts and a statement by the auditors about their reporting responsibilities;
- 2.5 The Directors' have confirmed that the business is a going concern, with supporting assumptions or qualifications as necessary.