

AUDIT & RISK COMMITTEE CHARTER

AUDIT COMMITTEE

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AUDIT & RISK COMMITTEE CHARTER

I. INTRODUCTION

1. The audit committee plays an important role in providing oversight of the organisation's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee performs its role by providing independent oversight to the Board, Privatization and Corporatization Board (PCB).

II. BACKGROUND

2. The audit committee was established on Monday, 9th September 2024. The charter, which governs the work of the committee, was reviewed and approved on Thursday, 28th November 2024.

III. PURPOSE

3. The purpose of the audit committee is to provide a structured, systematic oversight of the organisation's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the organisation's initiatives for:

- Values and ethics.
- Governance structure.
- Risk management.
- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements and public accountability reporting.

In broad terms, the audit committee reviews each of the items noted above and provides the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

IV. MANDATE

4. The mandate for the establishment of the audit committee was derived from the Corporate Governance Code of PCB, established pursuant to Privatization and corporatization Act 3/2013.

V. AUTHORITY

5. The audit committee charter sets out the authority of the audit committee to carry out the responsibilities established for it by the board as articulated within the audit committee charter.
6. In discharging its responsibilities, the audit committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the audit committee and/or Internal Auditor will follow a prescribed, board approved mechanism for resolution of the matter.
7. The audit committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The organisation's management and staff should cooperate with audit committee requests.
8. The audit committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

VI. RESPONSIBILITIES

It is the responsibility of the audit committee to provide the board with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the organisation.

Values and ethics

9. To obtain reasonable assurance with respect to the organisation's values and ethics practices, the audit committee will:
 - Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organisation.

- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the organisation.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and further identify and deal with any legal or ethical violations.

Organisational governance

10. To obtain reasonable assurance with respect to the organisation's governance process, the audit committee will review and provide advice on the governance process established and maintained within the organisation and the procedures in place to ensure that they are operating as intended.

Risk management

11. To obtain reasonable assurance with respect to the organisation's risk management practices, the audit committee will:
 - Annually review the organisation's risk profile.
 - Obtain from the Internal Auditor an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process.
 - Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
 - Provide oversight of the adequacy of the combined assurance being provided.
 - Review and provide advice on the risk management process established and maintained by management and the procedures in place to ensure that they are operating as intended.

Fraud

12. To obtain reasonable assurance with respect to the organisation's procedures for the prevention and detection of fraud, the audit committee will:
 - Oversee management's arrangements for the prevention and deterrence of fraud.
 - Ensure that appropriate action is taken against known perpetrators of fraud.
 - Challenge management and internal and external auditors to ensure that the entity has appropriate anti-fraud programmes and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Control

13. To obtain reasonable assurance with respect to the adequacy and effectiveness of the organisation's controls in responding to risks within the organisation's governance, operations and information systems, the audit committee will:

- Consider the effectiveness of the organisation's control framework, including information technology security and control.
- Review and provide advice on the control of the organisation as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the board.

Compliance

14. The audit committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.
- Review the process for communicating the code of conduct to the organisation's personnel and for monitoring compliance.
- Obtain regular updates from management and the organisation's legal counsel regarding compliance matters.

VII. COMPOSITION OF THE AUDIT COMMITTEE

15. The committee will consist of three members that are independent of the organisation. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk and control. Because the responsibilities of the audit committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs.

VIII. THE CHAIR OF THE AUDIT COMMITTEE

16. The Audit & Risk Committee will designate the chair of the audit committee in accordance with the Corporate Governance Code of PCB, established pursuant to Privatization and corporatization Act 3/2013.

IX. TERMS OF OFFICE

17. The term of office for an audit committee member is three years. Continuance of audit committee members shall be reviewed annually.

X. QUORUM

18. The quorum for the audit committee shall be the majority of the members.

XI. OPERATIONAL PRINCIPLES

Audit committee values

19. The audit committee will conduct itself in accordance with the code of values and ethics of the organisation; CG code of the PCB; and other relevant policies and legislations. The audit committee expects that management and staff of the organisation will adhere to these requirements.

Communications

20. The audit committee expects that all communication with management and staff of the organisation as well as with any external assurance providers will be direct, open and complete.

Work plan of the Audit Committee

21. The audit committee chair will collaborate with senior management and the Internal Auditor to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out.

Meeting agenda

22. The Secretary of the Audit Committee, in consultation with the Chairperson, is responsible for agenda preparation, with supporting documentation; and its circulation.

23. Members of the Committee may suggest agenda items for the meetings to the Chairperson with a sponsor.
24. The agenda and supporting agenda papers are to be distributed at least 24 hours prior to each meeting. The Chairperson may approve the inclusion of tabled paper.
25. In case of urgent meetings, the committee members may unanimously agree to waive the notice period.

Executive sessions

26. The audit committee will schedule and hold if necessary, a private session with the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Internal Auditor, external assurance providers, and with any other officials that the audit committee may deem appropriate at any of its meetings.

Preparation and attendance

27. Audit committee members absence for two consecutive meetings with no informed reasons shall be shared with chairperson of the board.

Conflict(s) of interest

28. Audit committee members should adhere to the organisations code of conduct and any values and ethics established by the organisation. It is the responsibility of audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee and abstain from discussing and voting on such matters.

Orientation and training

29. The board should ensure that Audit committee members receive formal orientation training on the purpose and mandate of the committee and on the organisation's objectives. A process of continuing education shall be established.

XII. OPERATIONAL PROCEDURES

Meetings

30. The audit committee shall meet at least once a month. And this frequency can be increased based on the reports submitted by the internal/external audit and the management for its deliberations and decisions.

Minutes

31. Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the audit committee meeting and shall be adopted in the following audit committee meeting. And audio recordings of all committee meetings should be maintained with the committee secretariat.

XIII. OVERSIGHT OF THE INTERNAL AUDIT ACTIVITY AND OTHER ASSURANCE PROVIDERS

Internal audit activity

32. To obtain reasonable assurance with respect to work of the internal audit activity, the audit committee will provide oversight related to:

- Internal audit charter and resources
 - a. Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of the SIAC.
 - b. Advise the board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.
- Internal Auditor's performance
 - a. Advise the board regarding the qualifications and recruitment, appointment, and removal of the Internal Auditor.
 - b. Provide input to management related to evaluating the performance of the Internal Auditor.
 - c. Recommend to management or the governing body the appropriate compensation of the Internal Auditor.
- Internal audit strategy and plan
 - a. Review and provide input on the internal audit activity's strategic plan, objectives, performance measures and outcomes.

- b. Review and approve proposed risk based internal audit plan and make recommendations concerning internal audit projects.
 - c. Review and approve the internal audit plan and engagements work programme, including reviewing internal audit resources necessary to achieve the plan.
 - d. Review the internal audit activity's performance relative to its audit plan.
- Internal audit engagement and follow up
 - a. Review internal audit reports and other communications to management.
 - b. Review and track management's action plans to address the results of internal audit engagements.
 - c. Review and advise management on the results of any special investigations.
 - d. Inquire of the Internal Auditor whether any internal audit engagements or non-audit engagements have been completed but not reported to the committee; if so, inquire whether any matters of significance arose from such work.
 - e. Inquire of the Internal Auditor whether any evidence of fraud and non-compliance with laws and regulations have been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.
- Standards conformance
 - a. Inquire of the CIA about steps taken to ensure that the internal audit activity conforms to the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice Framework (IPPF) for Internal Auditing.
 - b. Ensure that the internal audit activity has a quality assurance and improvement programme and that the results of these periodic assessments are presented to the audit committee.
 - c. Ensure that the internal audit activity has an external quality assurance review every five years through the Auditor General's Office.

- d. Review the results of the independent and external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- e. Advise the board about any recommendations for the continuous improvement of the internal audit activity.

External Auditors

- 33. To obtain reasonable assurance with respect to work of the external assurance providers –the audit committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.
- 34. The audit committee will:
 - Review the External Auditor's proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
 - Have regularly scheduled exclusive meetings with External Auditor to discuss any sensitive matters.
 - Monitor management's progress on action plans.
- 35. To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the audit committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

Financial statements and public accountability reporting

- 36. The audit committee is responsible for oversight of the company's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.
- 37. The audit committee will:
 - Review with management and the External Auditor the results of audit engagements, including any difficulties encountered.

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the quarterly financial statements submitted to PCB and consider whether they are complete, consistent with information known to committee members, and comply with the International Financial Reporting Standards (IFRS).
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and comply with the International Financial Reporting Standards (IFRS).
- Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released.
- Review with management and the External Auditor all matters required to be communicated to the audit committee under International Standards on Auditing (ISA) and regulatory requirements of the Maldives.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.

Other responsibilities

38. In addition, the audit committee will:

- Perform other activities related to this charter as requested by the Board, PCB and SIAC.
- Oversee special investigations as needed.
- Evaluate its performance and that of its individual members annually.

Reporting on audit committee performance

39. The audit committee will report to the Board, within 30 days of the end of the financial year, summarising the committee's activities and recommendations. The report may be delivered during an audit committee meeting attended by the board or during a regularly scheduled meeting of the board.

40. The report should also include:

- A summary of the work the audit committee performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organisation.
- Details of meetings including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- The committee may report to the Board, at any time regarding any other matter it deems of sufficient importance.