

LA PRUDENCE LEASING FINANCE CO LTD

**AUDIT BOARD SUB-COMMITTEE
TERMS OF REFERENCE**

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Annex 1 Financial Information and Filing Delay

Annex 2 Calendar of Meeting

CHAIRMAN MESSAGE



The Audit Committee's activities involved a strategic reappraisal of the audit assurance plan, continued challenge of the Company's risk process and tolerance, an internal audit effectiveness review, continued understanding of key business areas and their associated risks, and improving ongoing Committee learning. Our progress is outlined in further detail in this section.

We remain focused on the audit assurance and risk process to support our longer-term objectives. The Committee has closely monitored the strategic progress of the business against the plan set out.

The Committee continued its usual programme of receiving presentations from across the business to better understand key elements of the strategic plan, the associated risks and how these are being mitigated.

INTRODUCTION

The Company holds Leasing and Non-Bank Deposit Taking Licences issued by both the Financial Services Commission and Bank of Mauritius respectively.

The Audit Board Sub-Committee (*hereinafter referred to as 'AC'*) is constituted pursuant to:

- a) Sections 18 (6) and 40 of the Banking Act 2004;
- b) Section 75(2) and First Schedule (2) & (3) of the Financial Reporting Act 2004;
- c) Sections 24- 43 of the Guideline on Corporate Governance issued by the Bank of Mauritius;
- d) Principle 2 of the National Code of Corporate Governance for Mauritius 2016

1. PURPOSE



The Purpose of Audit Committee is to:

- a) review of all financial information (including critical accounting policies, accounting estimates and financial statement disclosures) which are communicated to the Stakeholders (**Annex 1**);
- b) assessment of whether the institution has implemented adequate internal control and financial disclosure procedures;
- c) recommend to shareholders the appointment, removal, and remuneration of external auditors pursuant to S. 39 of the Banking Act 2004;
- d) review of any transactions brought to its attention by Internal and External Auditors or any officers of the institution, or that might otherwise come to its attention, which might adversely affect the financial condition of the institution;
- (d) report to the board on the conduct of its responsibilities in frequency specified by the board; and

- (e) ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws.

2. MEMBERSHIP

The Committee members are appointed by the Board on the recommendation of the Corporate Governance, Nomination and Remuneration Committee and may be replaced by the Board.

The minimum criteria of Membership shall be as follows:

2.1 Numbers:

Only independent directors who shall not be less than 3 in number.

2.2 Competence:

- The Chairperson of the board **must not be** the Chairperson of the Committee;
- Members of the Committee should preferably have financial background and be conversant with both international auditing standards and international financial reporting standards.

2.3 Engagement:

- Attend at least 75% of all Committee meetings and be active in the discussion of agenda items;
- Study all documents provided for the meeting;
- Inform the Committee of any conflict of interest in any debated matter;
- Avoid any action that might compromise the fulfilment of the Committee's mandate or question its members' professional integrity.

The membership of the Committee shall be published in the Company's annual report.

3 MEETING

The Committee must meet at **LEAST ONCE EVERY QUARTER**.

Due to the obligation of the Company to abide by the statutory financial information disclosures to the Regulators, the timing of the review of these financial information prior submission and disclosures within a prescribed delay is of the utmost importance to execute its mandate effectively.

Annex 2 is a pre-established Calendar that the Committee will ensure to abide by.

The Committee may invite any director, officer or employee of the Company or any outside consultant or adviser to attend any meeting of the Committee or to meet with any members of the Committee at any time.

Any Member wishing to add any item on the Agenda shall communicate same to the Company Secretary who shall transmit same to the Chairman.

The final Agenda shall be communicated to the Company Secretary by the Chairman of the Committee and the Company Secretary shall communicate same to the Members together with the materials, information and Report at least **3 WORKING DAYS** prior meeting to enable Members to make informed decisions.

4 MINUTES

Minutes of meeting which has been physical held shall be recorded and drafted by the Company Secretary and communicated to the Board of Directors.

5 BUSINESS

The Committee business includes:

- a) The integrity of the Company's financial statements and other financial information provided by the Company via Management to its Board of Directors, shareholders, the public and Government Authorities (**Annex 1**);
- b) Review the Solvency requirement upon declaration of dividend and ensure that the relevant approval from the Bank of Mauritius has been obtained prior any payment of same;
- c) The external auditor's appointment, functions and reporting, including qualifications, independence and performance (**Annex 3**) and assist Shareholders on the issue at AGM;
- d) Review of the report of the External Auditors ¹ to Bank of Mauritius and monitor Management's corrective actions. The following items shall be addressed, amongst others:
 - Transactions or conditions requiring a change in accounting basis, or a note disclosure;

¹ Guideline on Transactions or Conditions respecting Well-being of a Financial Institution Reportable by the External Auditor to the Bank of Mauritius

- Material adverse changes in risks inherent in the Company's business, with potential to jeopardize its ability to continue as a going concern;
 - Information available to the auditor, indicating a material breach of the governing statutes or guidelines;
 - Transactions or conditions indicating that the Company has significant weaknesses in its internal controls and management processes that render it vulnerable to material risks and exposures, leading to potential impairment of its ability to continue as a going concern
 - Transactions or conditions violating the assumption of management's good faith;
 - Serious conflict between decision-making echelons of the Company;
 - Transactions or conditions warranting a reservation in the auditor's opinion;
 - Auditor's intention to resign or planned removal of the auditor;
 - Serious conflict among directors and dissension among shareholders;
 - Aggressive strategies detrimental to the interest of depositors and the Company;
 - Risk of complex group and overseas operations (currently not applicable).
- e) Yearly Internal Audit Report;
- f) The system of internal controls and procedures; and
- g) Yearly Exemption Report from the Compliance Officer.

6 EVALUATION

The Chairman of the Committee shall conduct an annual evaluation of contribution and effectiveness of its Members in fulfilling their mandate.

The evaluation of the Chairman shall be effected by his peer.

The evaluation shall be submitted to the Governance, Nomination and Remuneration Committee which shall submit its recommendation to the Board.

7 DELEGATION OF AUTHORITY

The Committee may, in its discretion, form and delegate all or a portion of its authority.

Such delegation shall be approved by the Board of Directors.

The Recommendation must clearly state the following minimum delegation authority:

- The person (s) to which such delegation will apply to;
- The scope

The Committee shall retain its duty of monitoring and supervision.

8 REVIEW OF TERMS AND REFERENCE

The Committee shall review and assess the adequacy of these Terms of Reference.

The Committee may recommend amendments to these Terms of Reference at any time and submit amendments for approval to the Board.

The Committee shall review its own performance.

Dated this ... of 2017

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