

AUDIT AND RISK COMMITTEE HANDBOOK



GOVERNMENT OF NAMIBIA

Published by the Directorate of Government Internal Audit & Policy Coordination: Ministry of Finance and Public Enterprises

Table of Contents

LIST OF ABBREVIATIONS.....	4
Foreword.....	5
1. Background.....	6
1.1 Introduction.....	6
1.2 Government Audit and Risk Committee (GAR) and the OMAs and RCs AR Committees.....	6
2. Good practice principles of AR committees.....	7
3. The Role of the ARA Committees	8
3.1 Supporting the OMAs Ministers, Accounting Officers and RCs Chief Regional Officers.	8
3.2 Advisory on the OMAs and RCs' Assurance Needs	8
3.3 The Need to Understand the OMA/ RC's lines of defense	8
3.4 How Committees review the provision of assurance services	9
3.5 Mandate to commission additional assurance work.....	9
3.6 Meetings of the Audit Committee	9
3.7 Terms of Reference	9
3.8 Managing Conflict of Interest.....	10
3.9 Authority of the Committee to summon Government Officials.....	10
3.10 Funding of the Committee	10
4. Membership, independence, objectivity and understanding.....	11
4.1 Independence and objectivity	11
4.2 Composition	11
4.3 Relationship with the Executive	11
4.4 Other participants	11
4.5 Conflicts of interest.....	11
4.6 Terms of appointment	12
5. Skills.....	13
5.1 Range of Skills.....	13
5.2 Additional skills needed for the Committee	13

5.3	Training and development.....	13
6.	Scope of work	14
6.1	Overall Assurance.....	14
6.2	Internal and External Audit	14
6.3	Financial Reporting	15
7.	Communication and reporting.....	16
7.1	Communication between the Committee, OMA Ministers, Accounting Officers and CROs.....	16
7.2	Improving relationships.....	16
7.3	Annual reports.....	16
7.4	Bilateral communications	17
	Annex A- Sample of Work Programmes to be considered for the Committee Meetings.....	18
	Annex B- Committee Support: Good Practice	19
	Annex C- Generic Audit Committee Charter Template.....	20
	Annex D- The Role of the Chair: Best Practice.....	27
	Annex E: Model Letter of Appointment and Renewal of Appointment.....	29
	Annex F- Competency Framework.....	32
	Annex G- Key questions for an Audit Committee to ask.....	33

LIST OF ABBREVIATIONS

ARC	Audit and Risk Committee
CROs	Chief Regional Officers
DGIAPC	Directorate Government Internal Audit and Policy Coordination
GARC	Government Audit and Risk Committee
GIAS	Global Internal Audit Standards
GRC	Governance, Risk Management and Controls
IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
OMAs	Offices/Ministries/Agencies
OAG	Office of the Auditor General
PSIAP	Public Sector Internal Audit Policy
RCs	Regional Councils
LACs	Local Authority Councils

Foreword

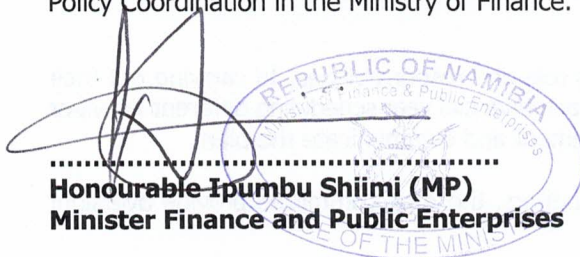
This Handbook has been prepared to elaborate the responsibilities of the Audit and Risk Committee in Government as contained in the 2021 criteria for the establishment of Audit Committees in Line Ministries, Offices and Agencies. Public Sector Internal Audit Policy (PSIAP) specifically designed to strengthen the internal audit function based on the State Finance Act (Act 31 of 1991). Furthermore, the PSIAP seek to provide comprehensive guidance on the Powers, Mandates, Roles and Responsibilities of Internal Audit and Audit Committee (s) within Public Sector and to ensure the alignment and compliance with the Global Internal Audit Standards (GIAS) and best practices for modern Internal Audit Activities and Audit Committees.

This handbook provides leading practices guidance to Audit and Risk Committees (ARCs) in central Government Offices, Ministries and Agencies (OMAs). The Book contains illustrative examples and questions intended to guide the audit and risk assurance committee members in discharging their responsibilities. The handbook is not a checklist and examples presented are not meant to be exhaustive and cover every scenario. A degree of flexibility is therefore required to suit each institution's individual circumstances.

Audit and Risk Committees are primarily responsible for overseeing and promoting accountability and transparency in public financial management. Audit and Risk Committees do not conduct audits, however they use information provided by both internal and external audits, and operational management to advice the supervisory board and senior management.

The Book has been developed to provide guidance to audit and risk assurance committees in Offices, Ministries and Agencies of Government of Namibia.

For any clarifications, or guidance the reader should contact the Directorate of Public Internal Audit and Policy Coordination in the Ministry of Finance.



Honourable Ipumbu Shiimi (MP)
Minister Finance and Public Enterprises

26/06/2024
Date/ Official stamp

1. Background

1.1 Introduction

The purpose of the Audit and Risk Committee(ARCs) as provided Ministerial Instructions of 2015/2016, and the Public Sector Internal Audit Policy (PSIAP) is to provide objective guidance to the Minister of Finance and Public Enterprises on cross-cutting issues across the Office, Ministries and Agencies (OMAs) as well as the Regional Councils (RCs). ARCs are an integral part of the overall framework of corporate governance and plays a key role in the oversight of the central government's affairs.

This Handbook is to be used by all relevant AR Committee in the Offices, Ministries and Agencies (OMAs) as well as those in the Regional Councils (RCs).

The ARC shall have the following responsibilities:

1. Provide advisory assistance to the management of the relevant OMAs or RCs for the betterment of its operational efficiency;
2. Considering and reviewing of the financial statements of the entity focusing on their overall credibility;
3. Considering and approving the annual audit plan of the internal audit unit;
4. Considering and reviewing of internal audit and auditor general's reports and recommend appropriate actions to be taken by management in connection with the issues raised and recommendations in those reports;
5. Follow-up on management activities to ensure the implementation of the agreed recommendations within the agreed timeframe.

The ARCs may commission any appropriate special audits and investigations on the entity and lead the appointment of independent auditors to conduct such audits.

In fulfilling the responsibilities, the ARCs shall liaise with the Heads of Internal Audits and collaborate with the Auditor General as appropriate.

Each OMAs and RCs ARC should have a charter defining its role and responsibilities. In carrying out their work, ARCs should develop a work plan at the beginning of each financial year scheduling different activities they will conduct with internal audit, external audit, management and communicate the plan.

Together with senior management, internal and external auditors, the ARA Committee provide oversight that fosters an environment where:

- Risks are assessed and adequately mitigated,
- Reporting is accurate, timely and relevant,
- Assets are safeguarded,
- Positive ethics are upheld, and
- Compliance is assured.

This Audit Committee handbook provides guidance for the ARCs in fulfilling their minimum regulatory responsibilities and outlines industry good practices that may be modified as appropriate to reflect the complexity of the Namibian Government.

1.2 Government Audit and Risk Committee (GARC) and the OMAs and RCs ARC

All OMAs and RCs are expected to have ARA Committees to which the relevant OMAs and RCs Internal Audit Units functionally report.

These OMAs,RC and LACs Audit Risk Committees also report to the Government Audit and Risk Committee (GARC) that has oversight over all internal audit across the Government of Namibia. The GARC reports to the Honorable Minister of Finance and Public Enterprises.

2. Good practice principles of ARC.

This Handbook is built upon the following five good practices:

Principle 1: The role of the Audit and Risk Committee

The ARC should support the relevant Ministers, Accounting Officers in the OMAs and the Chief Regional Officers (CROs) in the Regional Councils (RCs) by reviewing the comprehensiveness and reliability of assurances on Governance, Risk management, the Controls (GRC).

Principle 2: Membership, independence, objectivity and understanding

The ARC should be independent and objective. Furthermore, each committee member should have a good understanding of the objectives and priorities of the relevant OMAs, RCs and LACs and of their role as an ARC member.

Principle 3: Skills

The ARC should collectively have an appropriate skill mix to allow it to carry out its functions as defined in the Charter.

Principle 4: Scope of work

The scope of the ARC work should be clearly defined in the Committee's charter/ terms of reference and should encompass all the assurance needs of the relevant OMAs Ministers, Accounting Officers and the CROs. Within this, the ARC should have particular engagement with the work of internal audit, risk management, the Office of the Auditor General (OAG), and financial management and reporting issues.

Principle 5: Communication and reporting

The ARC should ensure that it has effective communication with all key stakeholders within the relevant OMAs and RCs. Some of the key stakeholders include the OMAs Ministers, Accounting Officers, CROs, Senior Management, the Director/ Chief Internal Auditor of the OMA etc.

Detailed guidance on each of these five principles is given in the preceding chapters.

3. The Role of the AR Committees

3.1 Supporting the OMAs Ministers, Accounting Officers and RCs Chief Regional Officers.

Given their wide scope of responsibilities, the OMAs Ministers, Accounting Officers and RCs Chief Regional Officers have many issues competing for their attention. These competing priorities may make it hard for the Ministers, Accounting Officers and CROs to have comfort on whether their attention is being put on the right GRC issues that are of high priority for the OMAs or RCs.

The AR Committees therefore can be of value to the Ministers, Accounting Officers and CROs by reviewing the effectiveness of the GRC in place, and providing assurance and recommendations to the Ministers, Accounting Officers and CROs on the key GRC areas that they need to prioritize upon if the OMA/ RC's objectives are to be achieved.

To ably undertake this role, the Committee will utilize and provide guidance to the Internal Audit Directorates/ Units to ensure that the engagements undertaken focus on the risks facing the OMAs or RCs. The results from these engagements will enable the Committee to ably advise the Ministers, Accounting Officers and CROs on the key areas of focus. Furthermore, this information will enable the Committee to also advise the Ministers, Accounting Officers and CROs on the responsiveness of their relevant Directorates/ Departments/ Units in strengthening of the control environment by implementing the audit recommendations.

The Committee will also engage with other assurance providers like the OAG and get their insights on the key governance, risk management and control issues identified from their work undertaken. With this information, the Committees will be able to advise the OMAs Ministers, Accounting Officers and CROs on the key areas that need their focus and priority.

3.2 Advisory on the OMAs and RCs' Assurance Needs

The Committee has a responsibility of guiding the Minister, Accounting Officers and CROs in the formulation of the OMA/ RC's assurance needs. In providing this advisory, the Committee will need to consider the following elements:

- The strategic outcomes and objectives which the relevant OMA/ RC is charged to deliver, and the associated risks and control mechanisms in place;
- The sources of assurance available to the OMA/ RC; and
- The level of confidence required in assurances, including the extent to which the range of assurance providers can be relied on.

3.3 The Need to Understand the OMA/ RC's lines of defense

To effectively advise the OMA Ministers, Accounting Officers and CROs, the Audit Committees should understand the lines three lines of defense in the relevant OMAs and RCs.

Below is a summary of the key lines of defense expected to be understood by the Committee:

- **First line:** This involves management assurance from "front line" or business operational areas.
- **Second line:** This is the oversight of management activity, separate from those responsible for delivery, but not independent of the organization's management chain; and
- **Third line:** This is the independent and more objective assurance and includes the likes of internal audit.

An understanding of the three lines of defense can help the ARA Committee to play a key role in helping the Accounting Officers and the CROs in establishing an optimum mix of assurance. For example, management and oversight assurance activities can be harnessed to provide coverage of routine operations, with internal audit activity more effectively targeted at riskier or more complex areas.

3.4 How Committees review the provision of assurance services

The overall provision of assurances to the relevant CROs, Accounting Officers and the Ministers should be reviewed by the ARA Committees.

In interacting with the assurance providers, the Committees should constructively challenge:

- Whether the nature and scope of the assurance providers' activities meet the assurance needs of the OMAs Ministers, Accounting Officers and CROs;
- The credibility and independence of each provider; and
- Where appropriate, the actual assurances to test that they are founded on sufficient reliable evidence and that conclusions are reasonable in the context of the evidence.

3.5 Mandate to commission additional assurance work

The ARA Committees should also be proactive in commissioning assurance work from appropriate sources if it identifies any significant risk, governance and control issues which are not being subjected to sufficient review, and in seeking assurance that weaknesses identified by reviews that have been conducted are actually remedied by management.

3.6 Meetings of the Audit Committee

Guidance on the meeting arrangements of the Audit Committee are provided within the relevant OMA/ RC Audit and Risk Committee Charters.

Below are the requirements for Committee meetings:

- a. The Committee will meet at least six times in the financial year of which two meetings will be with the Minister/ CRO. Should the members find it important to meet the Minister/Deputy Minister, such meetings will also be arranged. The members will meet once in every quarter and a briefing note of the outcome of the meeting will be provided to the Minister.
- b. The Committee, in exceptional and urgent cases and upon a written proposal to all the members, may take a decision without a meeting of the Committee having been conveyed, and such decision is valid as if it was taken at a meeting of the Committee, but only if all members have assented to it in writing. Teleconferencing meeting will be deemed a normal meeting.
- c. The committee may meet at least once a year with the external and internal auditors without management present. This meeting can be done before or after the scheduled audit committee meeting. This meeting can be used to understand the challenges, advises and any other matters they can't disclose in the meeting with management present.

A model "Core Programme" of work for an ARA Committee meeting four times a year is provided at Annex A.

The Directorate Government Internal Audit and Policy Coordination (DGIAPC) will provide Secretariat services to the GARA Committee. At the OMAs and RCs levels, the relevant Heads of Internal Audit will provide secretariat services to the Committees.

Annex B provides Guidance on the Good Practices for Committee Support by the Secretariat.

3.7 Terms of Reference

Once approved and signed off by the Minister or the CRO, the ARC terms of reference which are captured within the Audit Committee Charter should be made readily available to the public.

The OMAs, RCs and LACs can use the current Government Audit and Risk Committee Charter and accordingly customize it to their operations. **Annex C provides a Generic Audit Committee Charter Template.**

The Terms of Reference should periodically be reviewed to ensure that they are in line with the changes happening within the Government operations.

3.8 Managing Conflict of Interest

The responsibilities assigned to the ARC should not provide any conflict with the guidance in this handbook, in particular by compromising independence. An ARC should not have any executive responsibilities or be charged with making or endorsing any decisions, although it may draw attention to strengths and weaknesses in control and make suggestions for how such weaknesses might be dealt with. The overarching purpose of the ARC is to advise the OMA's/RC's Ministers, Accounting Officers and CROs.

It is the responsibility of the OMAs Ministers, Accounting Officers and Regional Councils CROs to make the relevant decisions after getting input from the Committee.

3.9 Authority of the Committee to summon Government Officials

The ARC has the authority to require any member of the relevant OMAs and RC to report on the management of risk or the control environment within their areas of responsibility, in general terms or in respect of specific issues, either by:

- Attending an ARC meeting; or
- Providing written report(s) to the ARC for the purpose of providing information to assist the committee in fulfilling its role

3.10 Funding of the Committee

The ARC will require access to funding to cover the costs incurred in fulfilling its role.

The funding should be sufficient to:

- Meet the remuneration and working expenses of its members.
- Meet the relevant training needs of its members.
- Provide specialist (external) advice or opinions when required; and
- (As agreed with the OMAs or RCs) provide external review of the effectiveness of the ARC.

Each OMAs and RCs should accordingly budget for the operations and activities of its ARC.

4. Membership, independence, objectivity and understanding

4.1 Independence and objectivity

"The ARC should be independent and objective. Furthermore, each member should have a good understanding of the objectives and priorities of the OMAs or RCs and of their role as an ARC member."

An effective ARC must have members who are both independent and objective. Members of the ARC must not have a direct or indirect relationship with the OMAs or RCs that could result in a real or perceived conflict of interest that would hinder their ability to make independent choices and act in the best interest of the OMAs or RC's stakeholders.

The GARC is accountable to the Minister of Finance and Public Enterprises and should keep the Minister informed of issues raised by the auditors, matters under considerations and any decisions taken. The OMAs, RCs and LACs Audit Committees are accounted to both the GARC and the relevant OMAs Ministers/Board.

4.2 Composition

- The ARC shall consist of minimum three to maximum five members that are independent of the OMAs/RCs and LACs.
- The members should collectively possess sufficient knowledge of audit, finance, IT, law, governance, risk, control and specific industry knowledge.
- In order to operate in an independent and competent manner, the committee should possess the requisite knowledge and skills to effectively engage with and challenge the OMAs/RCs/LACs. The key skills required of the Committee members is documented in the ARC Charter of each OMAs/RCs/LACs.
- The chair of the committee should equally be independent of OMA's/RC'/LACs. ***Annex D provides Best practices on the Role of the Chair.***

4.3 Relationship with the Executive

- Executive members (Accounting Officers and Chief Regional Officers) of the OMAs or RCs or LACs should not be appointed to the ARC. The role of the Executive is to attend, to provide information, and to participate in discussions, either for the whole duration of a meeting or for particular items. For example, a representative of an OMAs operational area may be required to attend if the area of responsibility has received an adverse internal audit or external audit report.
- The Accounting Officers, External Auditors and the Finance Director should routinely attend the ARA Committee when called upon. It is also normal for the Director/ Chief/ Head of Internal Audit to attend. However, the terms of reference should also provide for the ARA Committee to sit privately without any non-members present for all or part of a meeting if they so wish.

4.4 Other participants

It is also common for representatives of sponsoring or sponsored bodies to attend Audit Committee meetings (for example, a member of a department may attend the Audit Committee of one of its Agencies). However, such representatives should not be appointed as members of the Audit Committee but be as invitees.

4.5 Conflicts of interest

Normally the process for recording declarations of conflicts of interests in the ARC should mirror the processes used at Government of Namibia level. Each member of the Committee should take personal responsibility to declare pro-actively any potential conflict of interest arising out of business undertaken by the organization(s), arising on the Committee's agenda or from changes in the member's personal circumstances.

The Chair of the Committee should then determine an appropriate course of action with the member. For example, the member might simply be asked to leave while a particular item of business is taken; or in more extreme cases the member could be asked to stand down from the Committee. If it is the Chair who has a conflict of interest, another member of the Committee can lead the discussions in determining the appropriate course of action. A key factor in determining the course of action will be the likely extent and duration of the conflict of interest: a conflict likely to endure for a long time is more likely to suggest that the member should stand down.

4.6 Terms of appointment

OMAs, RCs and LACs audit committee members will be invited through an expression of interest in the media. The Human Resource Division will be responsible for recruitment and selection of Audit Committee members in consultation with the Head of Internal Audit and the Director of DGIAPC through expression of interest. The DGIAPC should be involved in providing advice on the skills and experience being sought by the committee when a new member is selected/appointed. **Members of the committee shall be appointed by the Minister/Board, on the recommendation of the nomination committee.**

All members of the ARC should have a clear understanding of:

- What is expected of them in their role, including time commitments.
- How their individual performance will be appraised, including a clear understanding of what would be regarded as unsatisfactory performance and the criteria which would indicate the termination of ARCs membership should be considered.
- The duration of their appointment and how often it may be renewed. Cabinet Office guidance is that the first appointment is for a fixed three years which can be renewed for up to three years. Hence a maximum of six years; and
- Training required and how this will be provided.

The terms of appointment of an ARC member should be clearly set out at the time of appointment.

A model letter of Appointment and Renewal of Appointment is set out at Annex E. The letter should also specify what other activities the individual may or may not undertake in relation to the OMA/RA/LACs.

5. Skills

5.1 Range of Skills

The ARC should collectively own an appropriate skill mix to allow it to effectively undertake its mandate as required by the Audit and Risk Committee Charter.

The ARA Committee is charged with ensuring that the OMAs Ministers, Accounting Officers and RCs CROs gain the assurance they need on governance, risk management, and internal controls. This therefore requires the Committee to have a good range of skills and experience in relation to governance, risk, and control.

Because of the importance of financial management and reporting to the OMAs, RCs and LACs, at least one member of the Committee should have recent and relevant financial experience. This experience should be sufficient to allow them to engage competently with financial management and reporting in the OMAs or RCs, and associated assurances.

The ARC should identify, and agree with the relevant OMAs Minister or RCs Chief Regional Officers, the other skills required for committee effectiveness. These wider skills may be in relation to the core business of the relevant OMAs or RCs or LACs. The required skills set should be periodically reviewed.

As the ARC matures, the skills and knowledge of the members should also develop, enabling them to focus on the key issues facing the OMAs and RCs.

Although ARC members are recruited for their individual skills, it is vital that they are able to work collaboratively.

5.2 Additional skills needed for the Committee

The ARC should be empowered to both:

- Co-opt members for a period of time (not exceeding a year, and with the approval of the Minister) to provide specialist skills, knowledge and experience which the Committee needs at a particular time; and
- Procure specialist advice at the expense of the OMAs or RCs or LACs on an ad-hoc basis to support them in relation to particular pieces of committee business that are specialized and highly technical in nature.

5.3 Training and development

All ARC members, whatever their status or background, will have training and development needs. Those who have recently joined the ARC will need induction training, to help them understand their role and/or the organization. In particular, those joining a public sector ARC for the first time with no experience of government will need training to help them understand the public sector accountability framework, especially those elements relating to governance and accountability.

The DGIAPC will provide advice and guidance concerning the training of Audit Committee members and will facilitate training courses for members.

Each OMAs, RCs and LACs Head of Internal Audit should ensure that their respective Committees get the needed training development. This should accordingly have been included in the Annual budget.

Annex F provides a suggested **Competency Framework for Audit Committee members**.

Scope of work

5.4 Overall Assurance

In most OMAs, RCs and LACs, there are a number of sources of assurance, both internal and external, sometimes primarily intended for the benefit of the OMAs/RC/LACs and sometimes primarily intended for the benefit of other stakeholders like the Parliament. The relevant OMAs Ministers, Accounting Officers and RCs CROs assurance needs are largely met by evaluating the various sources of assurance (or gaps in sources of assurance), testing and determining their reliability, and then forming an overall view on the state of governance, risk management, and internal control.

Overall assurance of this kind is unlikely to be capable of expression in a single phrase, sentence or indicator because it is highly unlikely that all risk will be equally managed. Therefore, the overall view of the Committee will be on focusing on areas where:

- Risk is being appropriately managed (no action needed);
- Risk is inadequately controlled (action needed to improve control);
- Risk is over controlled (resource being wasted which could be diverted to other use);
- There is lack of evidence to support a conclusion - and if this concerns areas material to the operations of the OMAs or RCs or LACs more audit and/or assurance work will need to be done.

5.5 Internal and External Audit

For any government organization there will always be two significant sources of independent and objective assurance: internal audit and external audit.

In Central Government, the OAG is responsible for external audit. Although the work of External Audit is normally primarily conducted for the benefit of Parliament, it is still of significant benefit to the OMAs, RCs and LACs.

The work of internal audit is carried out primarily for the benefit of the OMAs Ministers, Accounting Officers and RCs Chief Regional Officers, and OMAs/RCs/LACs senior management and is likely to be the single most significant resource used by the ARC in discharging its responsibilities. This is because the Director/Head of Internal Audit, in accordance with the Public Sector Internal Audit Policy has a responsibility to provide an annual opinion on the overall adequacy and effectiveness of the organization's governance, risk management and control processes.

There is consequently a major synergy between the purpose of the OMAs/RCs Head of Internal Audit and the role of the ARC.

The role of the ARC in relation to internal audit should include advising the OMAs Minister, Executive Director and RCs Chief Regional Officers on:

- The internal audit strategy and periodic internal audit plans, forming a view on how well they reflect the OMAs/RC's/LACs risk exposure and support the Director/Head of Internal Audit's responsibility to provide an annual opinion.
- The adequacy of the resources available to internal audit.
- The internal audit charter, or terms of reference, for internal audit.
- The results of internal audit work, including reports on the effectiveness of systems for governance, risk management and control, and management responses to issues raised
- The annual internal audit opinion and annual report; and
- The performance of internal audit, including conformance with the applicable standards, expected performance measures, and the results of both internal and external quality assurance assessments.

Whilst the work of the OAG is not primarily conducted for the benefit of the OMAs/RCs/LACS, the ARC should nevertheless engage with this activity. As well as considering the results of external audit work and resolution of identified weaknesses, they should enquire about and consider the External Auditor's planned audit approach. They should also consider the way in which the External Auditor is co-operating with Internal Audit to maximize overall audit efficiency, capture opportunities to derive a greater level of assurance and minimize unnecessary duplication of work. In addition, they should review and consider the potential implications for the organization of the wider work carried out by the external auditor, for example, Value for Money reports and good practice findings.

5.6 Financial Reporting

The ARC should consider significant accounting policies, any changes to them and any significant estimates and judgements, if possible before the start of the financial year. It should also review the clarity and completeness of disclosures in the year-end financial statements and consider whether the disclosures made are set properly in context.

The ARC will not itself be able to review the accounts in detail in order to advise the Minister accounting officers and chief regional officers whether they are true and fair. Ideally, the Committee should expect a comprehensive overview of the financial statements by the Finance Director, including comparisons with the prior year and current year budget, and an explanation for any issues arising.

In reaching a view on the accounts, the Committee should consider:

- Key accounting policies and disclosures;
- Assurances about the financial systems which provide the figures for the accounts;
- The quality of the control arrangements over the preparation of the accounts;
- Key judgements made in preparing the accounts;
- Any disputes arising between those preparing the accounts and the auditors; and
- Reports, advice and findings from external audit (especially the Audit Completion Report – ISA 260 Report)

Annex G provides **Guidance to the Committee on some of the key questions to ask for the various key areas of interest.**

6. Communication and reporting

"The Audit and Risk Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Group Chief Internal Auditor, Head of Internal Audit, the External Auditor, the Risk Manager and other relevant assurance providers".

6.1 Communication between the Committee, OMA Ministers, Executive Directors, Accounting Officers and CROs

The work of the Audit and Risk Committees needs to be effectively communicated.

After each meeting of the Committee a report should be prepared for the GARC, the OMAs Minister, Accounting Officers and RCs Chief Regional Officer to:

- Summarize the business taken by the Committee, explaining if necessary why that business was regarded as important; and
- Offer the views of, and advice from, the Committee on issues which they consider the Board/Minister or Accounting Officer/chief regional officer should be taking action.

If the minutes of the committee meeting are used as the report, care should be taken in their presentation to highlight the advice being provided. These reports should be copied to the relevant Director/ Head of Internal Audit and should be made available to the Auditor General if requested for.

Every OMAs, RCs and LACs ARC has a reporting obligation to the GARC. On a quarterly basis, each OMAs, RCs and LACs AC will hold meetings with the GARC to appraise it on the key issues facing the relevant OMAs, RCs and LACs. After these meetings, the GARC will also accordingly report and meet with the Minister of Finance and Public Enterprises to appraise him/her on the key issues facing the OMAs, RCs and LACs.

6.2 Improving relationships

It is important for the ARC to have good relationships and communication with those it seeks briefings from, and those it provides assurance to. This will ensure that the Committee is effectively engaged with the organization and able to fulfil its function.

6.3 Annual reports

Each OMAs, RCs and LACs ARC should provide an Annual Report, timed to support the preparation of the Governance Statement. This internal report needs to be open and honest in presenting the committee's views if it is to be of real benefit to the OMAs Ministers and RCs Chief Regional Officers.

The Annual Report should summarize the ARC work for the year past, and present the Committee's opinion about:

- The effectiveness of governance, risk management and control;
- The comprehensiveness of assurances in meeting the Minister, Accounting Officer's and CRO's needs;
- The reliability and integrity of these assurances;
- Whether the assurance available is sufficient to support the Minister Accounting Officer and CRO's in their decision taking and their accountability obligations;
- The implications of these assurances for the overall management of risk;
- Any issues the ARC considers pertinent to the Governance Statement and any long term issues the Committee thinks the Minister, Accounting Officer and CRO's should give attention to;
- Financial reporting for the year;
- The quality of both Internal and External Audit and their approach to their responsibilities; and
- The Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

The Committee Annual Report should go to the relevant OMAs Minister or RCs Chief Regional Officers for approval. Once approved by the Minister, a copy should go to the Accounting Officers, and the Directors/ Heads of Internal Audit. If requested a copy should be made available to the Auditor General.

Each OMAs RCs ARC should also submit the report to the GARC. The GARC has the responsibility of consolidating the reports from the OMAs, RCs and LACs for submitting the Annual Report to the Honorable Minister of Finance and Public Enterprises.

6.4 Bilateral communications

There should be mutual rights of access between each of the Chair of the ARC, the OMAs Ministers, Accounting Officers, the RCs Chief Regional Officers, the Directors/ Head of Internal Audit, the GARC and the Auditor General. Periodic discussions outside of the formal meeting help to ensure that expectations are managed and that there is mutual understanding of current risks and issues.

It is recommended that there should be an annual bilateral meeting between the relevant OMAs/RCs Chair of the Audit and Risk Committee and each of these parties to ensure that there is clear understanding of expectations and mutual understanding of current issues.

Annex A- Sample of Work Programmes to be considered for the Committee Meetings

Meeting 1:

- Review performance relating to risk management.
- Review the Internal Audit strategy and the periodic work plan for the coming financial year.
- Consider External Audit plans for the coming financial year (if available);
- Consider any reports from Internal Audit and management responses;
- Consider financial reports, including relevant information about financial performance and achievement of financial targets by the OMAs/RCs/LACs.

Meeting 2:

- Review performance relating to risk management.
- Review and consider the accounts for the financial year just finished.
- Consider (emerging) External Audit/ Auditor General opinion for the financial year just finished.
- Review assurances provided by senior staff.
- Consider Internal Audit opinion for the financial year just finished.
- Consider any reports from Internal Audit and management responses.
- Consider financial reports, including relevant information about financial performance and achievement of financial targets.
- Consider an annual report to the Minister, Accounting Officers and the CRO's.

Meeting 3:

- Review performance relating to risk management.
- Review the performance management arrangements adopted by the OMAs/RCs including, where appropriate, the timetable for reviewing such arrangements.
- Consider any reports from Internal Audit and management responses.
- Consider the External Audit management letter for the previous financial year and the response to/implementation of any recommendations
- Consider financial reports, including relevant information about financial performance and achievement of financial targets.

Meeting 4:

- Review performance relating to risk management.
- Consider any reports from Internal Audit and management responses.
- Consider financial reports, including relevant information about financial performance and achievement of financial targets.
- Consider the Committee's own effectiveness in its work.
- Review the Committee's Terms of Reference.

Please note that these are just examples. The Committee can accordingly amend as deemed fit.

Annex B- Committee Support: Good Practice

The secretariat should be able to support the Chair of the Committee(s) in identifying business to be taken, and the relevant priorities of the business. The Chair of the Committee and the secretariat should agree procedures for commissioning briefing to accompany business items on the Committee's agenda and timetables for the issue of meeting notices, agendas, and minutes. The Chair of the Committee should always review and approve minutes of meetings before they are circulated.

At the OMAs, RCs and LACs level, the respective Heads of Internal Audit will provide secretariat support to the ARC. At the GARC level, the DGIAPC will provide secretariat support.

Responsibilities of the Secretariat

The specific responsibilities of the ARC Secretariat should include:

- Meeting with the Chair of the Committee to prepare agendas for meetings.
- Commissioning papers as necessary to support agenda items
- Circulating meeting documents in good time before each meeting
- Arranging for executives to be available as necessary to discuss specific agenda items with the Committee during meetings
- Keeping a record of meetings and providing draft minutes for the Chair's approval
- Ensuring action points are being taken forward between meetings
- Support the Chair in the preparation of ARC reports to the Government Audit Committee, OMAs Minister or the RCs Chief Regional Officers.
- Arranging the Chair's bilateral meetings with the respective CROs, Accounting Officers, Head of Internal Audit, risk Manager, External Auditors and the Minister/Board.
- Keeping the Chair and members in touch with developments and relevant background information about developments in the organization
- Maintaining a record of when members' terms of appointment are due for renewal or termination
- Ensuring that appropriate appointment processes are initiated when required
- Ensuring that new members receive appropriate induction training, and that all members are supported in identifying and participating in ongoing training; and
- Managing budgets allocated to the ARC.

When the ARC decides to meet privately, the Chair should decide whether the secretariat members should also withdraw. If so, the Chair should ensure that an adequate note of proceedings is kept to support the Committee's conclusions and advice.

Annex C- Generic Audit Committee Charter Template

[Insert Letter head of Public Entity]

AUDIT AND RISK COMMITTEE CHARTER

Name of Public Entity:

Introduction

The Audit and Risk Committee(ARC) plays an important role in providing oversight of the <insert OMAs/RCS> governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The ARA Committee performs its role by providing independent oversight to the governing body/minister.

Background

The ARC was established on <date>. At that time, the charter for the committee was established. The charter, which governs the work of the committee, was reviewed and updated on <date>.

Purpose

The purpose of the ARA Committee is to provide structured systematic oversight of the <insert OMAs/RCS> governance, risk management, and internal control practices. The committee assists the board/minister and management by providing advice and guidance on the adequacy of the <insert OMAs/RCS> initiatives for:

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

In broad terms, the ARA Committee reviews each of the items noted above and provides the governing body/minister with independent advice on the adequacy and effectiveness of management's practices and potential improvements to those practices.

Mandate

The mandate for the establishment of the ARA Committee was derived from the Public Sector Internal Audit Policy (PSIAP) approved by the Cabinet on the 19th June 2018 (Cabinet Decision 8th/19.06.18/014).

Authority

The ARC charter sets out the authority of the audit committee to carry out the responsibilities established by the Board/Minister as articulated in the ARA Committee charter. In discharging its responsibilities, the ARA Committee shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee also shall have unrestricted access to records, data, and reports.

The committee is entitled to receive explanations from management and staff of the <insert OMAs/RCs> that it deems necessary to discharge its responsibilities. The <insert OMAs/RCs>, management and staff should cooperate with AR committee requests.

Composition of the AR Committee

The ARC shall consist of minimum three to maximum five members that are independent of the <insert OMAs/RCs>. The members should collectively possess sufficient knowledge of audit, finance, IT, law, governance, risk, control and specific industry knowledge.

As the responsibilities of the ARA Committee evolve in response to regulatory, economic, and reporting developments, it is important that members' competencies and the overall balance of skills on the committee be periodically evaluated to respond to emerging needs.

The Chair of the ARC

The Audit committee members should designate the Chair of the ARC.

Terms of Office

The term of office for an ARC member is a term of a fixed three years which can be renewed for up to three years. Hence a maximum of six years.

Quorum

The quorum for the ARC shall be a majority of the members present in person or by virtual conference.

Operational Principles of the ARC

ARC values

The ARC will conduct itself in accordance with the code of values and ethics of the <insert OMAs/RCs> and the Institute of Internal Auditors (IIA) code of ethics. The ARC expects that management and staff of the <insert OMAs/RCs> will adhere to these requirements.

Communications

The ARC expects that all communication with management and staff of the <insert OMAs/RCs> as well as with any external assurance providers will be direct, open, and complete.

Work plan

The ARC Chair will collaborate with senior management and the Head of Internal Audit unit, will establish a work plan to ensure that the responsibilities of the ARC are scheduled and will be carried out.

Meeting agenda

The Chair and Secretariat shall establish meeting agendas in consultation with ARC members, and the Head of Internal Audit.

Information requirements

The ARC shall establish and communicate its information requirements. This shall include the nature, extent, and timing of such information requirements. Information shall be provided to the ARC at least one week prior to the meeting.

Executive sessions

At least annually, the ARC shall hold a private session with the Executive Director, the Financial Advisor, the Head of Internal Audit unit, external assurance providers, and with any other officials that the ARC may deem appropriate at each of its meetings. (Refer to 4.3 of the ARC handbook on page 11)

Preparation and attendance

ARC members have an obligation to prepare for and participate in committee meetings.

Conflict(s) of interest

It is the responsibility of an ARC member to disclose a conflict of interest or the appearance of a conflict of interest to the committee. If there is any question as to whether ARC member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself. *(Refer to 4.5 of the ARC Handbook on page 11)*

Orientation and training

On appointment to the ARC, new members shall receive formal orientation training to help them understand their role and/or the <insert OMAs/RCs>. ARC members will obtain ongoing professional development facilitated by the Directorate Government Internal Audit and Policy Coordination (DGIAPC), to ensure that they have the knowledge and skills to address the changing issues facing the <insert OMAs/RCs>.

Operational Procedures

Meetings

The ARC shall meet at least six times in the financial year of which two meetings will be with the Board/Minister. Should the members find it important to meet the Board/Minister, such meetings will also be arranged. The members will meet once in every quarter and a briefing note of the outcome of the meeting will be provided to the Board/Minister.

The committee may meet at least once a year with the external and internal auditors without management present.

Minutes

Meeting minutes will be provided in draft format at least two weeks after the audit committee meeting.

Required attendance

The Head of Internal Audit are required to attend all committee meetings.

Secretariat services

The Head of Internal Audit (or another appropriate designee) shall facilitate and coordinate meetings as well as provide ancillary support to the committee, as time and resources permit.

Remuneration of Committee Members

Sitting allowances to Audit Committee members will be in line with the provisions of Public Enterprises Governance Act, 2019 (Act No.1 of 2019). The Public Service Management Circular no. 22 of 2023 clarifies on the payment of sitting allowance to staff members serving on the board.

Committee members may be reimbursed for travel and committee-related expenses. Remote Areas (RCs) lack skilled and experts to sit on the Audit committee therefore members have to travel to attend the AC meeting outside Windhoek. Members are required to be paid Subsistence & travel and kilometers (N\$ 3.50 per km) as per the Government Subsistence guide.

Responsibilities

It is the responsibility of the ARC to provide the board/minister with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the <insert OMAs/RCs>.

Values and ethics

To obtain reasonable assurance with respect to the *<insert OMAs/RCs>* values and ethics practices, the ARC shall:

- Review and assess the policies, procedures, and practices established by the Board/Minister to monitor conformance with its code of conduct and ethical policies by all managers and staff of the *<insert OMAs/RCs>*.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all the managers and staff of the *<insert OMAs/RCs/LACs>*.
- 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 identify and deal with any legal or ethical violations.

Governance of the public sector OMAs/RCs/LACs

To obtain reasonable assurance with respect to the *<insert OMAs/RCs/LACs>* governance process, the ARC shall review and provide advice on the governance process established and maintained within the *<insert OMAs/RCs/LACs>* and the procedures in place to ensure that they are operating as intended.

Risk management

To obtain reasonable assurance with respect to the *<insert OMAs/RCs/LACs>* risk management arrangements, the ARC shall:

- Annually review the *<insert OMAs/RCs/LACs>* risk profile.
- Obtain from the Head of Internal Audit 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/minister.
- Provide oversight of the adequacy of the combined assurance being provided.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

Fraud

To obtain reasonable assurance with respect to the *<insert OMAs/RCs/LACs>* procedures for the prevention and detection of fraud, the ARC shall:

- 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 antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the *<insert OMAs/RCs/LACs>* controls in responding to risks within the *<insert OMAs/RCs/LACs>* governance, operational and information systems, the ARC shall:

- Consider the effectiveness of the *<insert OMAs/RCs/LACs>* control framework, including information technology security and control.
- Review and provide advice on the control of the *<insert OMAs/RCs/LACs>* Internal Audit 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/minister.

Oversight of Internal and External Audit and Other Assurance Providers

Internal audit. To obtain reasonable assurance with respect to work of the audit activity, the ARC will provide oversight related to:

Internal Audit Charter and Resources

- 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 International Professional Practices Framework (IPPF) and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the *<insert OMAs/RCs/LACs>* and reflects developments in the professional practice of internal auditing.
- Advise the board/minister about increases and decreases to the requested budget for the internal audit program and any additional expertise needed. Evaluate whether additional expertise is in the form of permanent staff or contracting for outside consulting services.

Head of Internal Audit performance

- Advise the board/minister regarding the qualifications and recruitment, appointment, and removal of the Head of Internal Audit.
- Provide input to management related to evaluating the performance of the Head of Internal Audit.

Internal Audit Strategy and Plan

- Review and provide input on internal audit's strategic plan, program goals, performance measures, and outcomes.
- Review and approve proposed risk-based internal annual audit work plans and make recommendations concerning internal audit projects.
- Review and approve the internal audit plan and engagement work program including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

Internal Audit engagement and Follow-up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of the internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the Head of Internal Audit 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.
- Inquire of the Head of Internal Audit whether any evidence of fraud has been identified during internal audit engagements and evaluate- what additional actions, if any, should be taken.

Standards Conformance

- Inquire of the Head of Internal Audit about steps taken to ensure that the internal audit activity conforms to the *Global Internal Audit Standards (GIAS)*.
- Ensure that the internal audit has a quality assurance and improvement program and that the results of this periodic assessment are presented to the ARC.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address recommendations.
- Advise the board/minister of any recommendations for the continuous improvement of the internal audit activity.

External auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the ARC shall meet with the external assurance providers during planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the engagement results and recommendations for management.

To obtain reasonable assurance that management has acted on the results and recommendations from internal and external audit engagements, the ARA 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

The ARA Committee is responsible for oversight of the independent audit of the government entity'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.

The audit committee will:

- Review with management and the external auditors 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 annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.

Other responsibilities

In addition, the ARC shall:

- Perform other activities related to this charter as requested by the board/minister.
- Institute and oversee special investigations as needed.
- Regularly evaluate the performance of the committee and individual members

Reporting on ARC performance

The audit committee will report to the board/minister annually, summarizing the committee's activities and recommendations. The report may be delivered during an audit committee meeting attended by the board/minister or during a regularly scheduled meeting of the board/minister.

The report should 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 *<insert OMAS/RCs/LACs>*.
- 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/minister at any time regarding any other matter it deems of sufficient importance.

Approval/Signatures

Accounting Officer _____

Date _____

Audit and Risk Assurance Committee Chair _____

Date _____

Board/Minister _____

Date _____

Annex D- The Role of the Chair: Best Practice

The role of the Chair of the ARC goes beyond chairing meetings. Indeed, it is key to achieving committee effectiveness.

Key activities in addition to Committee meetings should include the following:

Chair's Role During Meetings

- Before each meeting the Chair and the Committee Secretary should meet to discuss and agree the business for the meeting. The Chair should take ownership of, and have final say in, the decisions about what business will be pursued at any particular meeting
- Meeting time should be optimized by making sure that all agenda papers are issued in good time and then having each paper summarized outlining the key points, cross referred to the organizational business and risk agenda and stating what action the Committee is required to take
- The Chair should ensure that after each meeting appropriate reports are prepared from the ARC to the board/Minister, accounting officer and the chief regional officer. An annual report to the board/minister should also be provided
- The Chair should have bilateral meetings at least annually with the Accounting Officers, CROs, Head of Internal Audit, Risk Manager and the External Auditors with the Board/Minister. In addition, the Chair should meet any people newly appointed to these positions as soon as practicable after their appointment
- The Chair should also ensure that all Committee members have an appropriate programme of engagement with the organization and its activities to help them understand the organization, its objectives, business needs and priorities
- In a Group or Departmental family environment, the Chair of the Department or Group ARC should establish a mechanism enabling key stakeholders to consider the group's overall risk and assurance needs (see 5.3)
- Encouraging good, open relationships between the ARC, Executive Director, Finance Director and Internal and External auditors. There are a number of ways that a Chair can encourage this:
- The profile of the ARC can be raised to support and add weight to audit work by:
 - a. Promoting audit issues internally with relevant board members and other directors to make sure they appreciate the value of audit
 - b. Holding managers within the organization to account for the implementation of all audit recommendations; and
 - c. Calling appropriate business heads to meetings, for example, to explain how they are delivering their agreed actions on risks for which they are responsible
- Arranging separate meetings for the Chair, non-executives, independent members and internal and external auditors to help non-executive members establish open working relationships
- Arranging meetings with the Chair, internal auditors, the Finance Director and Risk Manager in the weeks leading up to the Committee meeting to discuss areas for the agenda and papers that should be provided; and
- Arranging meetings with the internal auditors (and possibly external audit and the risk manager) immediately before the ARC meeting to help give focus to discussions
- The Chair should ensure that there is an appropriate process between meetings for action points arising from Committee business to be appropriately pursued. The Chair should also ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence. Chairs may choose to rely on the Secretariat to take these actions

Appraisal:

The Chair should take the lead in ensuring that Committee members are provided with appropriate appraisal of their performance as a Committee and that training needs are identified and addressed. The Chair should seek appraisal of his/her performance from the Executive Director (or Chair of the Board, as appropriate).

The Chair should ensure that there is a periodic review of the overall effectiveness of the ARC and of its terms of reference.

Appointments:

The Audit committee members should designate the Chair of the GARC and OMAs/RCs ARC to be appointed by the Minister/Board.

Resources

The Chair is responsible for ensuring that the work of the Audit and Risk Committee is appropriately resourced.

Annex E: Model Letter of Appointment and Renewal of Appointment

APPOINTMENT LETTER

[Insert Letter head of Public Entity]

Appointment and purpose

You are hereby appointed by the [Board/Minister] as a member of the Audit and Risk Committee of [OMA/RC]. As a member of the Audit and Risk Committee you are accountable to the [Board/Minister] through the Chair of the Committee. Your appointment is for [number] years from (date)]. This appointment may be renewed [number] times (by mutual agreement) after the duration of this appointment.

The purpose of the Audit and Risk Committee is to:

- review the comprehensiveness of assurances on governance, risk management and the control environment in meeting the Board/Minister and Accounting Officers and CRO's assurance needs
- review the reliability and integrity of these assurances
- review the integrity of the financial statements; and
- advise the board/minister, accounting officers and CRO's about how well assurances support them in decision-taking and in discharging their accountability obligations

A copy of the Audit and Risk Committee's Terms of Reference is enclosed.

Support and training

The Secretary of the Audit and Risk Committee is [name / contact details] and they will shortly be in touch with you to discuss and arrange appropriate induction training.

To help you understand the governance arrangements and the role of the Audit and Risk Committee in government/OMA/RC/LACs induction training will be provided.

Commitment and remuneration

The committee normally meets [number] times each year, but additional meetings may be required from time to time. Your remuneration will be [include details of amount and means by which it will be paid].

Conflicts of Interest

If during your period of appointment to the Audit and Risk Committee your personal circumstances change in any way that may provide a conflict of interest for you in your Audit and Risk Assurance Committee role, you are to declare the circumstances to the Chair of the Audit and Risk Committee.

Appraisal

As a member of the Audit and Risk Committee you will be subject to appraisal by the Audit and Risk Committee Chair [include brief details of the appraisal process].

Conduct

Although your appointment does not make you a Civil Servant, you are expected to conduct yourself in your role in government in accordance with the Principles of the **Public Service Charter of Namibia**. **[A copy is enclosed]**.

Termination

If you choose to resign from this appointment you will be expected to give [number] months' notice, unless your circumstances have changed in a way that make it appropriate for you to resign immediately. If your performance as an Audit and Risk Committee member is decided to be unacceptable or if your conduct (including conflicts of interests) is unacceptable your appointment may be terminated by the [Board /Minister].

Please accept, **Mr/Ms. XXX**, the assurance of my highest consideration.

.....
BOARD/MINISTER

CC: DEPUTY MINISTER

ACCOUNTING OFFICER/CHIEF REGIONAL OFFICER

RENEWAL LETTER

[Insert Letter head of Public Entity]

Dear **Mr/Ms. XXX**

SUBJECT: RENEWAL OF THE AUDIT AND RISK COMMITTEE TERM FOR [NUMBER] YEARS.

Your tenure as an Audit and Risk Committee member expired/s on the [date] and was/is subsequently extended with an additional [months], for the period of [date] while the [OMA/RC] was/is in the process of assessing and reviewing the efficiency and effectiveness of the committee activities for the first term.

The Audit and Risk Committee terms of reference as approved, make provision for members to be appointed for a tenure of three years which constitutes one term.

In view of the above, your tenure is extended for a second term for [years] commencing from [date]

Please accept, **Mr/Ms. XXX**, the assurance of my highest consideration.

.....
BOARD/MINISTER

CC: DEPUTY MINISTER

ACCOUNTING OFFICER/CHIEF REGIONAL OFFICER

Annex F- Competency Framework

All members of the ARC should have, or acquire as soon as possible after appointment:

- 1) Understanding of the objectives of the OMAs/RCs and its current significant issues and risks.
- 2) Understanding of the OMAs/RCs/LACs structure, including governance arrangements and key relationships such as that with a sponsoring department or a major partner,
- 3) Understanding of the OMAs/RCs/LACs culture,
- 4) Understanding of any relevant legislation or other rules governing the OMAs/RCs/LACs; and
- 5) Broad understanding of the government environment, particularly accountability structures and current major initiatives.

The ARC should corporately possess:

- 1) Knowledge / skills / experience (as appropriate and required) in:
 - Accounting;
 - Risk management;
 - Internal / external audit; and
 - Technical or specialist issues pertinent to the organization's business
- 2) Experience of managing similar sized organizations
- 3) Understanding of the wider relevant environments in which the organization operates; and
- 4) Detailed understanding of the government environment and accountability structures

Annex G- Key questions for an Audit Committee to ask

This list of questions is not intended to be exhaustive or restrictive nor should it be treated as a tick list substituting for detailed consideration of the issues it raises. Rather it is intended to act as a "prompt" to help an ARA Committee ensure that their work is comprehensive.

On the strategic processes for risk and control, how do we know that:

1. The risk management culture is appropriate?
2. The board has clearly articulated and communicated its risk appetite?
3. there is a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable?
4. the risk register is an appropriate reflection of the risks facing the organization?
5. Appropriate ownership of risk in place?
6. Management has an appropriate view of how effective the control environment is?
7. Risk management is carried out in a way that really benefits the organization or is it treated as a box ticking exercise?
8. The organization as a whole is aware of the importance of risk management and of the organization's risk priorities?
9. The system of control will provide timely indicators of things going wrong?

On risk management processes, how do we know:

1. How senior management and Ministers support and promote risk management?
2. How well people are equipped and supported to manage risk well?
3. That there is a clear risk strategy and policies?
4. That there are effective arrangements for managing risks with partners?
5. That the organization's processes incorporate effective risk management?
6. **If risks are handled well, considering:**
 - Key strategic risks can change very quickly?
 - Scenario planning and stress testing?
 - 'bubbling under' risks?
 - The risk focus is wide enough?
 - considers 'external and emerging risks'?
 - reviews 'financial' risks and 'non-financial' risks?
 - If risk management contributes to achieving outcomes?
 - That management are regularly reviewing top risks?

On the planned activity and results of both internal and external audit work, how do we know that:

1. The internal audit strategy is appropriate for delivery of reasonable assurance on the whole of risk, control and governance?
2. The internal audit plan will achieve the objectives of the internal audit strategy, and in particular whether it is adequate to facilitate reasonable assurance on the key risks facing the organization?
3. Internal audit has appropriate resources, including skills, to deliver its objectives?
4. Internal audit takes appropriate account of other assurance activity, especially in the first and second line (and that this assurance is understood and owned by management)?
5. Internal audit recommendations that have been agreed by management are actually implemented?

6. Any issues arising from line management not accepting internal audit recommendations are appropriately escalated for consideration?
7. The quality of internal audit work is adequate? / what does application of the internal audit quality assessment framework tell us about the quality of the internal audit service?
8. There is appropriate co-operation between the internal and external auditors?
9. The accounting officer and board have taken all necessary steps to make themselves aware of any relevant information and that auditors are aware of that information?

On financial management, the accounting policies, the accounts, and the annual report of the organization, do we know:

1. How effective and accurate budgeting and in-year forecasting is?
2. The finance section is fit for purpose?
3. What the "hidden" financial risks are, relating to (inter alia):
 - HR?
 - Vat?
 - Overruns?
 - Sudden loss of funding/revenue?
4. That the accounting policies in place comply with relevant requirements, particularly the government financial reporting manual?
5. There has been due process in preparing the accounts and annual report and that process is robust?
6. That the accounts and annual report have been subjected to sufficient review by management and by the accounting officer and / or board?
7. That when new or novel accounting issues arise, appropriate advice on accounting treatment has been gained?
8. That there is an appropriate anti-fraud policy in place and that losses are suitably recorded and responded to?
9. That suitable processes are in place to ensure accurate financial records are kept?
10. That suitable processes are in place to ensure fraud is guarded against and regularity and propriety is achieved?
11. That financial control, including the structure of delegations, enables the organization to achieve its objectives with good value for money?
12. if there are any issues likely to lead to qualification of the accounts?
13. If the accounts have been qualified, that appropriate action is being taken to deal with the reason for qualification?
14. That issues raised by the external auditors are given appropriate attention?

On the adequacy of management response to issues identified by audit activity, how do we know that:

1. The implementation of recommendations is monitored and followed up?
2. There are suitable resolution procedures in place for cases when management reject audit recommendations which the auditors stand by as being important?

On assurances relating to the corporate governance requirements for the organization and the annual Governance Statement, how do we know that:

1. Corporate governance arrangements operate effectively and are clear to the whole organization?
2. The governance statement appropriately discloses action to deal with material problems?
3. The board is appropriately considering the results of the effectiveness review underpinning the annual governance statement?
4. The range of assurances available is sufficient to facilitate the drafting of a meaningful annual 'governance statement'?
5. Those producing the assurances understand fully the scope of the assurance they are being asked to provide, and the purpose to which it will be put?
6. Effective mechanisms are in place to ensure that assurances are reliable and adequately evidenced?
7. Assurances are 'positively' stated (i.e. – premised on sufficient relevant evidence to support them)?
8. The assurances draw appropriate attention to material weaknesses or losses which should be addressed?
9. The annual 'governance statement' realistically reflects the assurances on which it is premised?

On the work of the ARC itself, how do we know:

- 1) That we are being effective in achieving our terms of reference and adding value to corporate governance and control systems of the organization?
- 2) That we have the appropriate skills mix?
- 3) That we have an appropriate level of understanding of the purpose and work of the organization?
- 4) That we have sufficient time to give proper consideration to our business?
- 5) That our individual members are avoiding any conflict of interest?
- 6) What impact we are having on an organization?

