



Punjab Skills Development Fund

Board Audit and Finance Committee Charter

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1. Purpose

The purpose of the Board Audit and Finance Committee (the Committee) is to assist the Board in fulfilling its responsibility for oversight of the quality and integrity of the financial reporting, internal control, safeguarding of assets, information security, risk management, statutory compliances, the Fund's compliance with legal and regulatory requirements, corporate governance practices and its ethics programs as established by management and the Board, including the Fund's Codes of Conduct.

The Committee shall also ensure implementation of other significant policies including but not limited to Anti-Money Laundering/Counter Terrorism Financing policy, Whistleblowing policy, Anti-corruption and Fraud policy. It may also have such other duties as may from time to time be assigned to it by the Board. The existence of such Committee shall not absolve the Board from its collective responsibility for all matters.

2. Composition

As per requirements of the applicable regulatory framework related to Corporate Governance, the Committee membership requirements shall be as follows:

- The Committee members shall be appointed by the Board and it shall comprise of at least three (3) directors including at least one independent director. However, the independent directors in the Committees shall not be less than their proportionate strength. Each member shall serve the Committee for a period of not more than two (2) terms. The quorum for the Committee shall be a majority of the members.
- Members of the Committee shall be financially literate and majority of them, including its Chairman, shall be independent non-executive directors.
- The Chairman of the Board as well as the Chief Executive of the Fund shall not be a member of the Committee.
- Committee may comprise directors that have expertise managing multifarious risks. This shall ensure that a mix of risk, industry and subject area backgrounds will allow the Committee to understand emerging risks. Consequently, allowing the Committee to assess the effectiveness of the Fund's Enterprise Risk Management program.
- The Board shall designate the Chairman of the Committee who shall be an independent non-executive director.
- The Committee should appoint a secretary of the Committee, who should circulate minutes of its meetings within fourteen (14) days to the all members, directors and where required, to the Chief Financial Officer.
- The names of members of the Committee shall be disclosed in each annual report of the Fund.

3. Committee Authority and Responsibilities

The responsibility of the Committee is to oversee the Fund's financial controls and reporting processes on behalf of the Board and report the results of its activities to the Board in order to ensure compliance, including the requirements of PSC rules. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior. The Committee may perform such other duties and responsibilities as are consistent with its purpose and as the Board or the Committee deems appropriate.

In general, the responsibilities of the Committee are classified within following categories:

3.1 Audit, Risk and Compliance Department (ARC)

- At least once a year, the committee shall meet Head of ARC department and other members of without the Chief Financial Officer and the external auditors being present.
- To review of the scope and extent of internal audit and ensuring that the ARC department has adequate resources and is appropriately placed within the Fund;
- To review and approve the internal audit charter at least annually;
- Consideration of major findings of internal investigations and management's response thereto and recommend the report to the Board.
- To ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- To recommending or approving the hiring or removal of the Head of ARC with terms and conditions of employment. It must also ensure that he/she fits the "fit and proper" criteria along with other requirements as laid down by applicable laws and Rules
- Ensure that the Head of ARC has unrestricted access to the Committee;
- Receive a report on the results of the ARC department's work on a quarterly basis;

3.2 External Auditors

- At least once a year, the Committee shall meet the external auditors without the presence of the Chief Financial Officer, the Head ARC and other executives being present, to ensure independent communication between the external auditors and the Committee.
- The Committee shall, inter-alia, be responsible for recommending to the Board the appointment of external auditors and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Fund in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board shall act in accordance with the recommendations of the Committee in all these matters. However, the Board shall not be deemed to absolve itself of its overall responsibility for the functions delegated to the Committee.
- The Committee shall facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- The Committee shall review the management letter issued by external auditors and management's response thereto;

- The Committee shall ensure coordination between the ARC department and external auditors of the Fund;
- The Committee shall be responsible for managing the relationship of Fund with the external auditors. In managing the Fund's relationship with the external auditors on behalf of the Board, the Committee's responsibilities include;
 - suggesting the appointment of the external auditor to the Board, the audit fee, and any questions of resignation or dismissal;
 - considering the objectives and scope of any non-financial audit or consultancy work proposed to be undertaken by the external auditors, and reviewing the remuneration for this work;
 - discussing with the external auditors before the audit commences the scope of the audit and the extent of reliance on internal audit and other review agencies;
 - discussing with the external auditors any significant issues from the review of the financial statements by the management, and any other work undertaken or overseen by the Committee;
 - reviewing and considering the external auditors' communication with management and management's response thereto; and
 - reviewing progress on accepted recommendations from the external auditors.
- The recommendations of the Committee for appointment of retiring auditors or otherwise, as mentioned above, shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the lapse of three consecutive financial years, the reasons for the same shall be included in the directors' report.

3.3 Review of the Financial Statements

- To review financial results;
- To review quarterly, half-yearly and annual financial statements of the Fund, prior to their approval by the Board, focusing on,
 - major judgment areas;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - any changes in accounting policies and practices; and
 - compliance with applicable accounting standards.

3.4 Corporate Governance

The Committee shall review and provide advice on the governance arrangements established and maintained within the organization and the procedures in place to ensure that they are operating as intended and in accordance with the relevant provisions of Companies Act, 2017, Public Sector Companies (Corporate Governance) rules, Board Charter, Memorandum and Articles of Association. Committee shall ensure

- determination of compliance with relevant statutory requirements;
- monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;

4. Other Responsibilities

Other responsibilities of committee may include:

a. Related Party Transactions

The details of all related party transactions shall be placed before the Committee of the Fund and upon recommendations of the Committee, the same shall be placed before the Board for review and approval.

The Committee shall ensure that related party transactions which are not executed at arm's length price shall be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board on recommendation of the

Committee of the Fund

The Committee shall ensure that the Fund has maintained a party wise record of transactions, in each financial year, entered with related parties in that year along with all such documents and explanations as per applicable rules/regulations/notifications.

b. Risk Management and Control

To oversee organization's risk management arrangements, the Committee shall:

- 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.
- Review and provide advice on the risk management arrangements established and maintained by management and the procedures in place to ensure that they are operating as intended.
- Annually review the organization's corporate risk profile.
- Obtain from the Audit, Risk and Compliance department an annual report on management's implementation and maintenance of an appropriate integrated risk management process.

c. Fraud

To have appropriate oversight and review of the organization's procedures for the prevention and detection of fraud, the Committee shall:

- Actively review the prevention and deterrence of fraud mechanism as mentioned in Fraud and Anti-Corruption Policy and Anti-Money Laundering and Counter Financing Terrorism Policy.
- Review and provide advice on the risk management arrangements established and maintained by management and the procedures in place to ensure that they are operating as intended and being updated keeping in view the Fund's operational complexity and growth.
- Challenge management and the 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.

- Ensure that appropriate action is taken against known perpetrators of fraud.
- The Committee shall ensure implementation of the Enterprise Risk Management and Control framework as laid down in the Annexure below.

d. Whistle-blowing Function

Committee is responsible for overseeing whistle-blowing function and protection mechanism as mentioned in Whistle blowing Policy.

e. Budgeting and Planning

The Committee shall review and recommend for approval of the Board the five (5) Year Strategy, Annual Budget, and the five (5) years Business Plan. Committee shall also review the compliance with budgetary planning.

f. Compliance Programs

The Committee shall periodically review and discuss with management the Audit, Risk & Compliance department, and the external auditors the overall adequacy and effectiveness of the Fund's legal, regulatory and ethics and compliance programs, including the Fund's Codes of Conduct, Conflict of Interest policy and relevant statutory requirements.

g. Review of Board Audit and Risk Committee Charter

The Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval as and when required.

h. Review of Audit, Risk and Compliance department's charter

The committee shall review and approve the Audit, Risk and Compliance Charter as and when required. The charter should be reviewed to ensure that it is consistent with changes in the financial, risk management, and governance arrangements of the organization and reflects developments in internal audit professional practices.

i. Annual Performance Evaluation

The Committee shall annually review its own performance. It shall review performance of Chief Internal Auditor and Audit, risk and Compliance Department annually and recommend the results of Performance evaluation to the Board for approval.

j. Investigative Authority

In discharging its oversight role, the Committee shall institute special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;

k. Outside Advisors

The Committee should have the authority to retain such outside counsel, accountants, experts and other advisors as it deems appropriate to assist the Committee in the performance of its functions.

The Committee should be provided with appropriate funding, as determined by the Committee, for payment of compensation to such outside counsel, accountants, experts and other advisors.

5. Meetings

- Committee shall meet at least once in every quarter of the financial year.
- A meeting of the Committee should also be held if requested by external or the Audit, risk & Compliance department.
- Head of Audit, Risk & Compliance department and external auditors represented by engagement partner (or in his absence any other person designated by audit firm) should attend meetings of Committee at which issues relating to accounts and audit are discussed.
- Chief Executive Officer shall not attend any meeting of the Committee unless he is invited.
- At least once a year, Committee shall meet the
 - External auditors without the Chief Financial Officer and the head of the Audit, Risk & Compliance department being present.
 - Head of the Audit, Risk & Compliance department and other members of that function without presence of Chief Financial Officer and external auditors.
- The secretary of Committee shall keep a record of all minutes of its meetings which shall be approved by the Chairman of the Committee.
- The Committee will meet separately, at least quarterly, with the Audit, Risk & Compliance department and the senior management to discuss any matters that they wish to bring to the Committee's attention or that the Committee wishes to bring to their attention.
- The Committee shall appoint a secretary of the Committee, who shall circulate minutes of its meetings to the all members, directors and the Chief Financial Officer, within fourteen days of the meeting.
- The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors shall attend all meetings of the audit committee at which issues relating to accounts and audit are discussed.

Annexure

Enterprise Risk Management and Control Framework:

The Committee is responsible for:

- Ensuring the effective operation of the Fund's risk management framework;
- Monitoring the Fund's key corporate risks on a regular basis in accordance with the risk management procedures;
- Annually reviewing and recommending to the Board any proposed changes to the ERM Framework and associated risk management procedures;
- Receiving and endorsing any independent appraisals on the adequacy and effectiveness of the risk management framework;
- Endorsing any external disclosures that may be required from time to time relating to risk management processes in the organization; and
- Facilitating the development of the Fund's risk appetite.