



**GOZO REGIONAL**  
DEVELOPMENT AUTHORITY

# Audit Committee Charter

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*November 2022*

**Version 1** - Approved - Board Meeting **No.09/2022** held on 14<sup>th</sup> October 2022.



# 1. Purpose

The Audit Committee was established on 14<sup>th</sup> September 2020 as resolved during the Meeting No. 01/2020 held on 14<sup>th</sup> September 2020 to assist the Board of the Gozo Regional Development Authority's (GRDA) ("hereinafter the Authority") in its oversight responsibilities for the internal governance, internal control practices, financial statements and risk management of the Authority.

- 1.1 To provide independent guidance and advice to the Board and management of the Authority on the fulfilment of their responsibility for deploying sound internal governance, risk management, effectiveness of internal controls, stewardship, oversight of financial reporting, identification and disclosure of related party transactions and the achievement of value for money practices.
- 1.2 To oversee the work of the external auditors and other assurance providers and advise the Authority on their appointment, remuneration, terms of reference, scope and results of their activities.
- 1.3 To oversee the implementation of and the process for monitoring compliance with laws, regulations and the Authority's policies on values and ethics particularly as regards to fraud, integrity of financial reporting or other irregularity.
- 1.4 To advise the Board on the adequacy and effectiveness of the Authority's public accountability reporting.

# 2. Authority

- 2.1 The Audit Committee is a Committee of the Board of the Authority from which it derives its authority and to which it regularly reports.
- 2.2 The Committee is authorized by the Board to investigate any activity within its Charter.
- 2.3 In discharging its responsibilities, the Audit Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee will also have unrestricted access to records, data, and reports.
- 2.4 The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Authority's management and staff are obliged to co-operate with any requests received from the Audit Committee.

- 2.5 In case of any arising dispute on access to requested internal information in discharge of its responsibilities, the Audit Committee is to inform the Board and obtain the Board's guidance.
- 2.6 The Audit Committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.
- 2.7 The Audit Committee is to make recommendations to the Board of the Authority for the appointment or removal of the statutory external auditors and to oversee all audit and non-audit services performed by the external auditors.
- 2.8 The Audit Committee is to periodically meet separately with the statutory external auditor to discuss any matters that the Audit Committee or the statutory external auditor believe should be discussed privately including any disagreements between the Management and the Auditor on financial reporting and any other matters.

### **3. Composition of the Audit Committee**

- 3.1 The composition of the Audit Committee is that of a chairman and two other members, all appointed by the Board. The Chairman of the Audit Committee will be appointed by the Board.
- 3.2 An Audit Committee should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk and control. Because the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs.
- 3.3 The Audit Committee members (including the Chairperson), are appointed for a period of not more than three years and who may be eligible for reappointment. The continuance of Audit Committee members will be reviewed annually. To ensure continuity within the Audit Committee, the appointment of members should be staggered.

### **4. Meetings of the Audit Committee**

- 4.1 The Audit Committee shall meet as often as may be necessary but not less than twice annually. Meetings of the Audit Committee shall be called by the Chairman.

4.2 A quorum for any meeting shall be of at least two members of the Audit Committee. The Audit Committee shall decide who of the other two members shall act as Chairman during such meetings in the absence of the Chairman of the Audit Committee.

## 5. Required Attendance

The Officer authorized by the Authority to administer the financial matters of the said Authority (hereafter to be referred as CFO) is required to attend the Audit Committee meetings when he/she is asked to by the said committee.

## 6. Audit Committee Values

The Audit Committee will conduct itself in accordance with the code of values and ethics of the Authority and other applicable legislation/regulations/policies. The Audit Committee expects that management and staff of the Authority will adhere to these requirements.

## 7. Communications

The Audit Committee expects that all communication with management and staff of the Authority as well as with the external auditors will be direct, open and complete.

## 8. Work Plan

The Audit Committee chair will collaborate with senior management and the CFO to establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and carried out.

## 9. Meeting Agenda

The Chair will establish agendas for Audit Committee meetings in consultation with Audit Committee members, senior management and the CFO.

## 10. Information Requirements

The Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the Audit Committee at least one week prior to each Audit Committee meeting.

## 11. Meetings with Executive Management

The Audit Committee will schedule and hold if necessary, a private session with the chief executive officer (CEO), the chief financial officer (CFO), the external auditors, and with any other officials that the Audit Committee may deem appropriate at each of its meetings.

## 12. Conflict(s) of Interest

Audit Committee members should adhere to the Authority's code of conduct and any values and ethics established by the Authority. It is the responsibility of Audit Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee. If there is any question as to whether Audit Committee member(s) should recuse themselves from a vote, the Committee should vote to determine whether the member should recuse himself or herself.

## 13. Orientation and Training

Audit Committee members will receive formal orientation training on the purpose and mandate of the Committee and on the Authority's objectives. A process of continuing education will be established.

## 14. Audit Committee Secretary

14.1 The Secretary of the Audit Committee will normally be the Secretary of the Board. If the Board decides to appoint a different Secretary to the Audit Committee this must be done in consultation with the Audit Committee and through its approval. The secretary's responsibilities will include that of facilitating and coordinating meetings as well as providing ancillary support to the Committee, as time and resources permit.

14.2 The Secretary, in consultation with the Chairman of the Audit Committee, shall prepare

the agenda for the meetings of the Audit Committee. The agenda, together with relevant documentation and briefing material shall be circulated to all members of the Audit Committee at least one week before the scheduled meetings.

## 15. Minutes

- 15.1 Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the Audit Committee meeting. A final version shall be tabled and approved by the Audit Committee and signed by the Committee Chairman at the following meeting and circulated to all members.
- 15.2 A copy of the approved minutes of the Audit Committee meetings shall be brought to the attention of the Board on a quarterly basis.

## 16. Remuneration of Committee Members

- 16.1 Committee members may be reimbursed for travel and committee related expenses.
- 16.2 Payment rates and allowances for Committee members' time and/or services are established by the Board.
- 16.3 Professional indemnity insurance applicable to Board members should be extended to the members of the Audit Committee.

## 17. Responsibilities

It is the responsibility of the Audit Committee to provide the Board with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the Authority.

## 18. Values and Ethics

To obtain reasonable assurance with respect to the Authority's values and ethics practices, the Audit Committee will:

- i. Review and assess the policies, procedures, and practices established by the Authority's Board to monitor conformance with its code of conduct and ethical policies by all managers and staff of the Authority.
- ii. Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the Authority.
- iii. 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.

## 19. Authority's Governance

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

## 20. Risk Management

To obtain reasonable assurance with respect to the Authority's risk management practices, the Audit Committee will:

- i. Annually review the Authority's risk profile.
- ii. Obtain from the CFO an annual report on management's implementation and maintenance of an appropriate enterprise-wide risk management process.
- iii. 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.
- iv. Provide oversight of the adequacy of the combined assurance being provided.
- v. Review and provide advice on the risk management process established and maintained by the management and the procedures in place to ensure that they are operating as intended.

## 21. Fraud

To obtain reasonable assurance with respect to the Authority's procedures for the prevention and



detection of fraud, the Audit Committee will:

- i. Oversee management's arrangements for the prevention and deterrence of fraud.
- ii. Ensure that appropriate action is taken against known perpetrators of fraud.
- iii. Challenge management and internal and external auditors to ensure that the entity has appropriate anti-fraud programmes and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

## 22. Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the Authority's controls in responding to risks within the Authority's governance, operations and information systems, the Audit Committee will:

- i. Consider the effectiveness of the Authority's control framework, including information technology security and control.
- ii. Review and provide advice on the control of the Authority as a whole and its individual units.
- iii. 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.

## 23. Compliance

The Audit Committee will:

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

## 24. Internal Audit Activity

To obtain reasonable assurance with respect to work of the internal audit activity, the Audit Committee will provide oversight related to:

### 24.1 Internal Audit Charter and Resources

- i. 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 Accounting Standards (IASs) and the scope and nature of assurance and consulting services. This applies also to changes in the financial, risk management, and governance processes of the Authority and reflects developments in the professional practice of internal auditing.
- ii. Advise the Board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

### 24.2 Internal Audit Strategy and Plan

- i. Review and provide input on the internal audit activity's strategic plan, objectives, performance measures and outcomes.
- ii. Review and approve proposed risk based internal audit plan and make recommendations concerning internal audit projects.
- iii. Review and approve the internal audit plan and engagements work programme, including reviewing internal audit resources necessary to achieve the plan.
- iv. Review the internal audit activity's performance relative to its audit plan.

### 24.3 Internal Audit Engagement and Follow Up

- i. Review internal audit reports and other communications to management.
- ii. Review and track management's action plans to address the results of internal audit engagements.
- iii. Review and advise management on the results of any special investigations.
- iv. Inquire of the CFO 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.

- v. Inquire of the CFO whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

#### **24.4 Standards Conformance**

- i. Inquire of the CFO about steps taken to ensure that the internal audit activity conforms with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
- ii. Ensure that the internal audit activity has a quality assurance and improvement programme and that the results of these periodic assessments are presented to the Audit Committee.
- iii. Ensure that the internal audit activity has an external quality assurance review every five years.
- iv. Review the results of the independent and external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- v. Advise the Board about any recommendations for the continuous improvement of the internal audit activity.

## **25. External Auditors**

To obtain reasonable assurance with respect to the work of the external auditors, the Audit Committee will meet with the external auditors during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management. The Audit Committee will:

- i. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- ii. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of auditors.
- iii. Obtain statements from the external auditors about their relationships with the Authority, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- iv. Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters.

- v. Monitor management's progress on action plans.
- vi. To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements. The Audit Committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

## 26. Financial Statements and Public Accountability Reporting

The Audit 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:

- i. Review with management and the external auditors the results of audit engagements, including any difficulties encountered.
- ii. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- iii. Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- iv. Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released.
- v. Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted external auditing standards.
- vi. Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- vii. Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- viii. Review interim financial reports with management and the external auditors before filing with regulators and consider whether they are complete and consistent with the information known to Committee members.

## 27. Reporting on Audit Committee Performance

The Audit Committee will report to the Board annually, summarising the Committee's activities and recommendations. The report may be delivered during an Audit Committee meeting attended by the Board or during a regularly scheduled meeting of the Board. The report should also include:

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

## 28. Other Responsibilities

In addition, the Audit Committee will:

- i. Perform other activities related to this charter as requested by the Authority's Board.
- ii. Institute and oversee special investigations as needed.
- iii. Regularly evaluate its performance and that of its individual members.

## 29. Confidentiality

The members of the Audit Committee shall not disclose any information of a confidential nature coming to their knowledge during the performance of their duties to persons or bodies external or internal to the Authority except as provided for under this Charter.



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# Internal Audit Charter

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*July 2023*

**Version 1** - Approved - Board Meeting **No.05/2023** held on 23<sup>rd</sup> June 2023.



## Introduction

The Internal Audit Charter (hereinafter referred to as the 'IAC') establishes the principles and framework that will guide the GRDA in its oversight responsibilities for the internal governance, control practices, financial statements and risk management. As an effective tool, it will also be assisting the Audit Committee to perform its responsibilities efficiently and thus, it must be read in conjunction with the Audit Committee Charter of the Gozo Regional Development Authority (hereinafter referred to as the 'Authority').

## Purpose and Scope

By employing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, performance measurement and governance processes, the IAC assists the Authority in accomplishing its goals and objectives. Through this Charter, the internal audit function is being recognized as an independent, objective and consulting activity designed to add value to and improve the operations of the Authority as recognized by the Board of the Authority. The internal audit function is thus considered as one of the main pillars of corporate governance within the Authority.

To this effect, there shall be developed an Internal Audit Manual highlighting the procedures and binding practices for audit work methodologies throughout its entire operations, functions and tasks on a risk sensitivity basis approach. It shall respect acceptable international standards and ethical principles for the carrying out of useful internal audits.

However, internal audits shall not be construed as a substitute for the various internal operational control functions which have to be performed on an ongoing and permanent basis. These operational control functions and their efficiency shall remain the responsibility of the respective Heads and management of the Authority.

The Authority, in pursuing its objectives for the adequacy and effectiveness of governance, internal control and risk management processes, it shall be the function of this internal audit process to determine that:

- Adequate internal controls are in place and operating effectively and efficiently;
- Risks are appropriately identified and managed;
- Interaction with the various functions of the Authority occur as needed;
- Financial, managerial and operating information is accurate, reliable, integral and timely;
- The actions of officers and employees of the Authority are in compliance with its policies



and procedures and with any applicable laws and regulations;

- Resources and assets are acquired economically, used efficiently and adequately protected;
- Plans and objectives of the Authority are achieved or are being implemented as planned;
- Quality and continuous improvements are fostered in the internal control processes;
- Regulatory functions that have an effect on the Authority are recognized and addressed appropriately; and
- There is compliance with laws and regulations including its national obligations.

## Authority

Given the present size of the Authority and in line with the concept of free from interference and impartiality, responsibility for the conduct of the internal audit function shall be outsourced to professional and competent individuals or organizations (as the case may be) (hereinafter to be referred to as the 'Internal Auditors'). The Internal Auditors so appointed shall liaise with the Audit Committee as necessary to ensure an effective and efficient process throughout the year.

## Independence and Objectivity

The internal audit function in evaluating the various internal operations shall be designed to provide objective assurances regarding the achievement of the main core objectives of the Authority. Consequently, there shall be full and unrestricted access to all information, areas, officers and documents as required for the implementation of the Authority's internal audit programme.

To ensure equitable judgements for the proper conduct of the internal audit function and to ensure unimpaired advice to the management, those conducting the process shall have no direct operational responsibility or authority over the activities and functions under review.

## Accountability and Reporting

The Internal Auditors shall compile a brief and concise report on an annual basis to the Audit Committee on how the process was conducted throughout the year. It shall provide:

- Assurance on the adequacy and effectiveness of the systems within the Authority for

good governance, risk management and internal controls; and

- Report any impairments or risks, the reason why it happened and any remedial actions as necessary to mitigate such risks.

## Relations within the Authority

The Internal Auditors shall liaise with the different units within the Authority about the intended targets and the intended audit plan for the year. The Internal Auditors are also duty bound to identify new areas that may fall within the influence of the audit function. The officers of the Authority shall cooperate with the Internal Auditors Head while respecting the set timeframes. The Heads and the management are obliged to inform the Internal Auditors of:

- Major or significant incidents or matters which would impact risk, compliance, governance and/or internal control;
- Any complaint, objection or matter that would specifically jeopardise or impinge on the information security and/or accounting process; and
- The planning of a new project or process or any material change to existing processes, services or operations which would significantly influence the financial or operational risks and internal controls and consequently such audit engagements.

## Relations with External Auditors

If necessary, the Internal Auditors shall undertake to liaison and have open channels of communications with the statutory external auditors of the Authority and to provide the assistance and reliance required for the fulfilment of such obligations. Within this context and GDPR rules and regulations, the Internal Auditors shall ensure that its working documents, findings and reporting shall be available to the statutory external auditors for their evaluation of governance, risk management and the internal control framework of the Authority.



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