

Audit Committee Charter

POLICY

Section 156 of the Companies Act, Cap 13.01 Revised Laws of Saint Lucia, mandates that every public company shall be required to have an Audit Committee composed of not less than three directors of the company a majority of whom are not officers or employees of the company or any of its affiliates. In keeping with this provision it is the policy of St. Lucia Electricity Services Limited (“the Company”) to establish and maintain an Audit Committee, (“the Committee”).

OBJECTIVE

The objective of this policy is to assist [the Board](#) [1] in the effective discharge of its responsibilities for maintaining the integrity of Company’s finances.

PURPOSE AND FUNCTION:

The Audit Committee will assist [the Board of Directors](#) [1] in fulfilling its oversight responsibilities for:-

1. The quality and integrity of the financial statements of the Company;
2. The effectiveness of the systems of internal control over financial reporting;
3. The internal and external audit processes;
4. The effectiveness of risk management processes;
5. The company’s process for monitoring compliance with laws and regulations and the code of conduct.

AUTHORITIES

The Committee is authorized by [the Board](#) [1] to:

1. Investigate any activities within the scope of the Committee's duties;
2. Obtain any information it requires from the Managing Director or Chief Financial Officer and to invite them to attend Committee meetings or related deliberations;
3. In consultation with the Chairman of the Board or the Managing Director obtain legal or other independent professional advice;
4. Make recommendations for the improvements of operating performance, and management controls arising from internal and external audit reviews.

For the avoidance of doubt the Committee shall have no executive or supervisory powers with regard to its findings or recommendations save and except where [the Board](#) [1] has delegated decision making authority to the Committee on a particular issue.

RESPONSIBILITIES

The Committee will carry out the following responsibilities:

Financial Reporting

1. Oversee the accounting and financial reporting process and audits of the financial statements of the Company.
2. Review all risks (both financial and non-financial) which may affect the Company.
3. Serve as an independent and objective party in the review of the financial information presented by Management for distribution to shareholders and the general public, in assessing the adequacy of management reporting, and in particular to review the annual statement of accounts before its submission to Board for approval.
4. Review significant accounting and reporting issues, including critical accounting estimates and judgements used in applying accounting principles, the treatment of complex or unusual transactions and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
5. Review the annual financial statements with management and the external auditors and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles.
6. Provide an on-going independent appraisal of the financial integrity of the Company's accounting systems, procedures and internal controls.
7. Satisfy itself that public disclosure of financial results is accurate and reliable, and that there is adherence to Operating Policies.

Internal Control

1. Review the adequacy of the Company's administrative, operational and financial controls and information management systems and ensure that those are operating in accordance with prescribed procedures.
2. Understand the scope of internal and external auditors' review of the controls over financial reporting and obtain reports on significant findings and recommendations together with management's response.

Internal Audit

1. Oversee the work and resources of the Company's internal audit function.
2. Review and approve the annual audit plan submitted by the Head of Internal Audit.
3. Review the reports submitted by the Internal Audit department together with management's response and follow-up of these reports.
4. Periodically review the Internal Audit Charter.
5. Review the effectiveness of the internal audit function.

External Audit

1. Review the external auditor's qualifications, independence and performance.
2. Review the effectiveness of the Company's external audit functions.
3. Nominate a person or persons as external auditor; review the scope and plan of the external audit and review the findings of the external auditors.
4. Commission audits other than the statutory audit.

Compliance

1. Review the effectiveness of the Company's system for monitoring compliance with applicable legal and regulatory requirements and the results of management's investigation and action taken in instances of non-compliance.
2. Review the results of any examinations performed by regulatory agencies and action taken for any deviations reported.
3. Review the system in place for communicating the Code of Conduct and the procedures in place for monitoring compliance with the same.
4. Obtain periodic updates on compliance matters from management and legal counsel.

Risk management

1. Review the effectiveness of the risk management policies and activities in the Company.
2. Receive reports on significant frauds and forgeries and consider the internal control procedures that have been put in place to reduce the incidence of the same.

Reporting responsibilities

1. Periodically provide the Board with the results of its monitoring and resultant recommendations.
2. Provide to the Board such additional information and materials it deems necessary
3. Inform the Board of any significant financial matters that require the attention of the Board.
4. Report the findings of the annual performance evaluation of the Committee to the Board of Directors in written form.
5. Report annually to the shareholders, describing the committee's responsibilities, its composition and how it discharged its responsibilities.

Other responsibilities

1. Supervise and direct any special investigations that the Committee or the Board considers necessary.
2. Develop an annual work program to discharge the duties of the Committee as set out herein;
3. Review and update the charter annually and obtain approval of changes from the Board.
4. Assist the Human Resources Committee in the selection of an Internal Audit Manager.
5. Such other matters that may be properly referred to the Committee by the Board of Directors.

COMPOSITION AND TENURE

The Committee shall comprise of non-executive Directors only. The Committee shall comprise not less than four non-executive members of the Company's [Board of Directors](#) [1], to be appointed annually by the Board, preferably at the first Board Meeting following the Company's Annual Shareholders Meeting. [The Board of Directors](#) [1] shall appoint a Chairman from among those appointed to serve on the Committee. In the absence of the Chairman at a meeting those present shall choose from among themselves a Chairman for the said meeting. The Chairman of the Board shall not be a member of the Audit Committee

Members of the Audit Committee shall collectively possess the knowledge and skills essential for performance of their responsibilities including but not limited to accounting, finance and engineering skills. To effectively perform his or her role, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the company's business, operations, and risks.

The Company Secretary or in his or her absence the nominee of the Managing Director shall act as coordinator of the Committee meeting and such coordinator shall be responsible for providing secretarial services, inclusive of the recording of the Committee minutes. The Chairman of the Board shall have a right to attend and be heard

at the meetings of the Committee

QUORUM

A majority of the Committee shall constitute a quorum.

MEETINGS

The Committee shall meet as and when required, but not less than three times a year, to be determined by its Chairman. One such meeting must precede the meeting at which the statement of accounts is submitted to the Board for approval. Members of the Board who are not members of the Committee shall receive copies of the draft Minutes of the Committee with their quarterly Board papers and approved copies upon request.. Any error or mis-statement discovered in a financial statement that has been reported on by auditors shall immediately be disclosed to each Director and the external auditors.

The Company's internal and external auditors shall be advised of all meetings of the Committee, and can be called upon to attend. In the event of any matter of an unusual nature, the auditor shall report in writing to the Committee, and shall be entitled to request a hearing of the Committee.

The foregoing Audit Committee Charter 2017 was discussed and approved at the 184th meeting of the Board of Directors held on 8th December 2017

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Links

[1] <https://lucelec.com/content/board-directors-lucelec>