

# AUDIT COMMITTEE CHARTER

## Introduction

The Audit Committee primarily oversees all matters pertaining to audit – the Bank’s internal audit function and performance, the integrity of the Bank’s financial statements, and the Bank’s accounting processes in general, among other things. The Committee likewise provides oversight on the senior management’s activities, as well the Bank’s internal and external auditors and monitors and evaluates the adequacy and effectiveness of the Bank’s internal control system.

## Organization

1. The Audit committee shall be composed of at least three (3) members of the Board of Directors, wherein two (2) of whom shall be independent directors, including the Chairperson, preferably with Accounting, Auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the bank. To the greatest extent possible, the audit committee shall be composed of a sufficient number of independent and non-executive board members. Further, the chief executive officer, chief financial officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the audit committee.
2. No member of the Audit Committee, shall be concurrently designated as a member of the Trust Committee <sup>1</sup>

## Authority

The Committee shall have the authority to investigate any matter within its terms of reference under this charter, full access to and cooperation by management and full discretion to invite any director, officer or employee to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

## Duties and Responsibilities

1. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit Committee. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.
2. Review and approve the audit scope and frequency. It shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
3. Explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. The audit committee shall ensure that a review of the effectiveness of the institution’s internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

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<sup>1</sup> Sec X406.2 of the MORB

4. Establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

### **Meetings and Access**

1. The Committee shall meet on the 2<sup>nd</sup> Wednesday of every month;
2. Meet periodically with management, internal audit and external auditors, together or separately as the Committee may see fit; and
3. Report on the Committee's activities regularly to the Board.

### **Term of Office**

The members of the Committee shall serve at the pleasure of the Board and for such term or terms as the Board may determine, or until their earlier resignation, death, or removal by the Board. Termination of members' term of office may be staggered to allow the retention of seasoned members and to ensure Committee's uninterrupted workflow.

### **Quorum**

The quorum shall be at least 51% of the regular members, one of which should be the Chairperson of the committee or in his absence the designated vice-chairman, who shall chair the meeting. A majority vote among the present shall be required to pass or defeat any resolution at the meeting, provided such majority vote shall always include the vote of the Chairperson or in his absence, the Vice Chairperson.

### **Approvals**

Approvals by the Committee may be made at or during its meetings or through circulation to all members of the Committee.

### **Charter Review**

The Board shall review and assess the adequacy of this charter annually.