



# Audit and Compliance Committee Charter

Dated: August 2024

Version: 3.0

Owner: CIM Financial Services Ltd - Board Committee



## 1. PURPOSE

The Audit and Compliance Committee (“the Committee”) is a sub-committee of the Board of Directors (“the Board”) of CIM Financial Services Ltd (“CIM”, the “Organisation”). Its purpose is to assist the Board in fulfilling its oversight responsibilities in terms of the following functions:

- Audit function, with key duties as follows:
  - Setting and overseeing the overall standard for financial reporting and internal controls;
  - Reviewing and assessing the quality of work done by the professionals responsible for financial reporting and internal controls, if any;
  - Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.
  
- Compliance function, with key duties as follows:
  - Managing the compliance risks, which are defined as risks arising from failure by the organisation to comply with laws, regulations and codes, as appropriate;
  - Maintaining internal controls through support/advice to ensure that CIM is meeting its regulatory requirements and complying with established policies, procedures and controls; and
  - Implementing internal controls and other procedures to combat money laundering, the financing of terrorism and proliferation which among other things include establishing and maintaining a manual of compliance procedures in relation to money laundering and programmes for assessing risks relating to money laundering, the financing of terrorism and proliferation.

The Committee will fulfil these responsibilities by primarily carrying out the activities described in the section 5 below. These responsibilities may be amended as and when required, subject to the approval of the Board.

## 2. AUTHORITY

The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organisation;
- Resolve any disagreements between management and the auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services as well as the annual Compliance Plan;
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation and/or request assistance from specialists/expert in respect to compliance function from any service provider, as appropriate;
- Seek any information it requires from employees-all of whom are directed to cooperate with the Committee's requests-or external parties; and
- Meet with company officers, external auditors, regulators and/or outside counsel, as necessary.

### **3. COMPOSITION**

The Board shall elect the members of the Committee, which shall comprise of at least three and no more than six members of the board of directors. Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

The Board will, as far as practical, review the composition of the Committee and make any changes it deems necessary.

The Company Secretary shall act as Secretary for the Committee.

Permanent invitees will include the Chief Finance Officer, the Head of Operations. The Head of Internal Audit and the Head of Compliance attend the Committee to present specific items on the Committee Agenda.

The Committee chairperson may request other persons to attend the committee meetings if and when required.

### **4. MEETINGS**

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

Meetings should be organised so that attendance is maximised. The notice of each meeting, confirming the venue, time and date, and enclosing the agenda of items to be discussed, will, other than under exceptional circumstances, be forwarded to each member of the Committee not less than 5 working days prior to the date of the meeting. 2 independent members shall consist of a quorum.

All committee members are expected to attend each meeting, in person or via tele- or video-conference. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

Minutes will be prepared by the Company Secretary. These should be circulated to all members of the Committee, and to other members of the Board. Minutes shall be tabled at the subsequent Board Meeting. Significant risks and internal control breakdowns shall be reported to the Management Committees of CIM.

### **5. RESPONSIBILITIES**

The committee will carry out the following responsibilities:

#### **A. Audit function**

##### Financial Statements

- 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 with management and the external auditors the results of the audit, including any difficulties encountered.

- Review the interim financial statements and annual report (including the financial statements), and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the interim financial statements and annual report (including the financial statements) and related regulatory filings and consider the accuracy and completeness of the information before release for publication and to appropriate regulatory bodies.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- 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.

#### Internal Control

- Consider the effectiveness of the organisation's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

#### Internal Audit

- Approve the internal audit charter.
- Approve decisions regarding the appointment and removal of the Head of Internal Audit. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit.
- Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the Head of Internal Audit the internal audit budget, resource plan, activities, and organisational structure of the internal audit function.
- At least once per year, review the performance of the Head of Internal Audit and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including alignment with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.

The Committee will ensure that the Internal Audit Department performs the following:

#### **Reports to the Committee**

- Periodic reports shall be issued to the Audit and Compliance Committee on:
- Internal Audit work performed in accordance with the Audit Work Plan where a high level summary of significant risk exposures, corporate governance and control issues are reported;
- Status of implementation of agreed action plans with process owners;

- Any unplanned work (special audits, investigations, etc.) or significant deviation from the formally approved Plan with justification;
- Confirm the organizational independence of internal audit activity (annually); and
- Other matters needed or requested by the Committee.

#### **Monitoring and follow up**

- Internal audit shall perform monthly follow up on all observations identified which have reached their due dates at that time.
- Management shall state whether the action plans have been implemented with details of the actions taken together with relevant evidences, or if still open/in progress, provide relevant justifications.
- A status on the follow up results will be provided to the Board on a quarterly basis with specific attention on critical/high risk issues.

#### **Documentation**

The Head of Internal Audit shall maintain appropriate documentation / audit file that:

- Provides evidence that the audit was planned and performed in a professional manner.
- Clearly enables understanding of the tests performed, the results and evidences obtained.
- Highlights who performed and reviewed the audit work and the date it was completed.
- Records discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

#### External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, vet the appointment of the external auditors and seek final approval from the Board on the appointment, re-appointment, rotation or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

#### Reporting Responsibilities

- Regularly report to the Board about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the organisation issues that relate to committee responsibilities.

#### Other Responsibilities

- Perform other activities related to this charter as requested by the Board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.
- Comply with any reporting requirements to regulators and attend any meeting with regulators as may be required.

#### B. Compliance function

The Board has the ultimate responsibility to oversee the compliance practices within the company and to ensure that the company has implemented effective systems and practices to achieve compliance with laws, regulations and internal policies. This duty is delegated by the Board to the Committee.

The compliance function plays a crucial role in ensuring adherence to regulatory and legal requirements. The Committee shall ensure that the Compliance department discharges the following duties and responsibilities:

##### Support/ Advisory

- To provide advice and support on compliance matters affecting existing or new company products and services.
- To assist in the design simplified processes and systems to ensure effective implementation and ease understanding of staff
- To act as a business partner to support new initiatives within risk appetite of the organisation
- To escalate material compliance issues to the Group CEO and the relevant Board sub-committee.

##### Education, training and awareness

- To ensure that adequate compliance communication and training is delivered to all departments, as required.
- To ensure that compliance personnel have sufficient knowledge and experience to carry out their compliance obligations.
- To foster the compliance culture across the organisation.

##### Monitoring

- Transactions are monitored on a regular basis and any suspicious transactions are reported to the MLRO.
- To verify on a regular basis, compliance with policies, procedures and controls relating to money laundering and the financing of terrorism and proliferation.
- To conduct periodical second line controls on first line controls/verification and ongoing monitoring activities.

##### Regulatory Change Management

- To conduct independent evaluation of the financial institution's own policies and procedures, including legal and regulatory requirements.
- To monitor new legislations and regulations and advice on impact of legal/regulatory changes within the compliance framework.

##### Compliance reviews

- To execute the compliance plan to monitor compliance obligations throughout the company.
- To carry out compliance reviews and report by exception on non-adherence to company policies and procedures.
- To report by exception any non-adherence to regulatory requirements through the compliance register.
- To follow up on the implementation of compliance and regulatory report recommendations.

**Regulatory relationship and reporting**

- To act as the regulator's point of contact, for first line contact with the Regulators.
- Reporting by exception on any non-compliance with respect to regulatory requirements.

**Reporting of Complaints**

- To support the Customer Experience department with respect to regulatory complaints received from the office of the Ombudsperson for financial services or any other relevant authorities and ensure that there is no breach of regulatory requirements and laws.

**Reporting of suspicious transactions**

- Any suspicious transactions are reported to the MLRO, or the deputy MLRO in his absence, if found suspicious are reported to the Financial Intelligence Unit for further investigations in line with established laws and regulations.

**Assist in the maintenance of updated procedures and Policies manuals**

- To assist all departments in the review for updated policy/procedures for the observance of laws, policies, compliance regulations and codes of conduct within the company.

**Compliance obligations of employees**

- All employees shall comply with all internal policies, procedures, applicable laws and regulations. Failure to meet these obligations should be taken up during performance reviews of employees and addressed in line with prevailing policies, procedures and standards.

**6. REVIEW**

This Audit and Compliance Committee charter shall be reviewed and approved by the Board on an annual basis.

**Updated version approved by the ACC on 02 August 2024 and by the Board on 13 August 2024**