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Terms of Reference

AUDIT & RISK COMMITTEE (ARC)

Purpose

The terms of reference which outline the role, responsibilities, composition and operating guidelines of the Audit Committee are set out as follows:

Authority and Independence

The Committee is directly accountable to the Board of Trustees and in discharging its responsibilities, the Committee has authority to request through the Board to:

- conduct or authorize investigations into any matters within its scope of responsibility;
- access information, records and personnel as it requires to fulfil its responsibilities;
- request the attendance of any trustee, manager or employee, at Committee meetings;
- conduct meetings with External Auditors as necessary;
- obtain advice from external parties as necessary and within reasonable cost if applicable;
- resolve any disagreements between management and the auditor regarding financial reporting; and
- pre-approve all auditing and non-audit services which relate to the financial affairs of the Estate.

Should, however, any of the requests or recommendations of the committee be rejected by the Board without reasonable explanation, the Board undertakes to refer such issues, at the request of the committee, to the Homeowners Association. It shall be understood by the Audit Committee that any costs associated with such requests fall within budgetary constraints.

Role

The role of the Committee is to provide independent assurance and assistance to the Board of Trustees on control, governance and risk management regarding the financial affairs of the Homeowners Association. The Committee does not replace established management responsibilities and delegations. The Committee will provide the Board with prompt and constructive reports on its findings, especially when issues are identified that could present a material risk to the Estate.

Composition and Meetings

The Committee consists of the Financial Trustee and on invitation, additional trustees, and 3 other members who are all independent of the Estate management and Trustee structure. The committee is constituted so as to ensure a majority with independence. The 3 members shall be selected by the Board of Trustees from a list of suitable applicants as obtained from members of the Estate willing to serve on the committee. The Chairperson shall be the Financial Director. The Committee may at its discretion and agreement invite other members to attend Committee meetings and without such members having a vote on resolutions. A vote on resolutions will be by majority amongst the 4 members present. The Board of Trustees shall review and have the right to change,

if necessary, the composition of the Committee members every 2 years by applying the same selection criteria used previously.

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require and schedule of meetings will be agreed in advance. A quorum will consist of at least 2 independent members and the Financial Trustee. The Committee meetings will normally be attended by the 4 members with invitations to the external auditor, the COO, and GM of Finance, however, the Committee may invite members of management or other relevant parties to attend meetings and provide pertinent information, as necessary. The Committee will determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks.

A secretary / secretariat function will be appointed to facilitate the Committee's meetings and reporting duties. The secretary will in consultation with the Chairperson, prepare and send notices and meetings packs 5 working days before the meeting. The secretary will also prepare minutes and accurately transcribe all decisions of the Committee.

Responsibilities

The Committee is accountable to the Board of Trustees for the exercise of its responsibilities. The Committee will at all times recognize that the primary responsibility for the management of the Estate rests with the COO and accountability for ensuring proper financial management cannot be delegated to the Committee. The Committee will carry out the following responsibilities:

Financial Statements

- Review the appropriateness of accounting policies;
- Review the financial statements prepared during the course of the year;
- Review the regular and complete preparation of financial statements;
- Review the appropriateness of assumptions made by the board and management in preparing the financial statements;
- Review the significant accounting and reporting issues, and understand their impact on the financial statements.
- Review the annual financial statements, and consider whether they are complete, consistent with prescribed accounting and information known to Committee members;
- Obtain assurance from management with respect to the accuracy of the financial statements;
- Review with management and the external auditors the results of external audit, including any significant issues identified; and
- Review the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.

Risk Management

Review the risk management framework for identifying, assessing, monitoring and managing significant risks with particular emphasis on legal compliance, protection of assets and fraud prevention.

Internal Control

- Review the adequacy of the internal control system, including information technology security and control;
- Understand the scope of external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;
- Review whether relevant policies and procedures are in place and up to date, and whether they are complied with;
- Review whether the financial internal controls are operating efficiently, effectively and economically; and
- In reviewing the above the Committee may request the board to appoint independent expertise to undertake an audit of selected internal controls and provided budget funds are available.

External Audit

- Review the external auditors' proposed audit scope, approach and audit fees for the year;
- Review the findings and recommendations by External Auditor and management responses thereof;
- Review implementation of External Auditor's recommendations by management;
- Review the performance of External Auditors and recommend the appointment of External Auditors;
- Ensure that there is proper coordination of audit efforts and whether an interim audit is required; and
- Meet separately with the External Auditors to discuss any matters that the Committee or External Auditors believe should be discussed privately.

Review of the Terms of Reference

The Committee will annually review the terms of reference to ensure that it remains relevant with the Committee's authority, objectives and responsibilities.

Acknowledgement of the Terms of Reference

The AUDIT & RISK COMMITTEE'S Terms of Reference is acknowledged and endorsed by the Chairperson of the Committee and the Board of Directors.

Name:
Audit & Risk Committee Chairperson

Name:
Chairperson of the Board of Directors

Date: _____

Date: _____