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Terms of Reference Audit and Risk Committee (“ARC”)

1. PURPOSE

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

2. AUTHORITY AND INDEPENDENCE

The Committee is directly accountable to the Board of Directors 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 fulfill its responsibilities;
- request the attendance of any director, 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 non-audit services performed by the auditors 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 members of the Homeowners Association. It must be understood by the Audit and Risk Committee that any costs associated with such requests fall within budgetary constraints.

3. ROLE

The role of the Committee is to provide independent assurance and assistance to the Board of Directors 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.

4. COMPOSITION, MEETINGS AND REPORTING

The Committee consists of the Financial Director, the CEO, the Financial Manager and 4 other members who are all independent of the Estate management and Board structure. The committee is constituted to ensure a majority with independence. The 4 members shall be selected by the Board of Directors from a list of suitable applicants as obtained from members of the Estate willing to serve on the committee. The Chairperson shall be an independent member as elected by the Committee. The chairperson shall serve for a period of 2 years. In the absence of the chairperson at a meeting the committee shall nominate one of the other independent members present to act as chairperson of the meeting. 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 committee members present. The Board of Directors 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 as used previously.

The Committee will meet at least twice in a financial 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 Director. The Committee meetings will normally be attended by the 7 members with invitations to the external auditor, however, the Committee may invite members of management, the board 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 meeting packs 5 working days before the meeting. The secretary will also prepare minutes and accurately transcribe all decisions of the Committee. The minutes of all meetings shall be:

- circulated to the Committee members before the next meeting for input;
- signed by the Chairman at the next meeting;
- included in the minute book of the Committee; and
- circulated to all Board members via the Board pack of the next meeting.

The Committee shall also submit a report on its activities for the year for inclusion in the Annual General Meeting pack for the members of the Homeowners Association.

5. RESPONSIBILITIES

The Committee is accountable to the Board of Directors 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 CEO 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 and 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 the external audit, including any significant issues identified;
- Review the annual report and related regulatory filings before release and consider the accuracy and completeness of the information; and
- Review the proposed annual budget for the ensuing year and the appropriateness of the proposed levies to members thereon.

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;
- 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.

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;
- Meet separately with the External Auditors to discuss any matters that the Committee or External Auditors believe should be discussed privately; and

6. APPROVAL OF THE TERMS OF REFERENCE

The SILVER LAKES HOMEOWNERS ASSOCIATION NPC Audit Committee terms of reference is endorsed by the Chairperson of the Committee and approved by the Board of Directors.

Name:

Audit and Risk Committee Chairperson
Directors

Date: _____

Name:

Chairperson of the Board of

Date: _____