

Audit and Risk Committee (“ARC”)

Charter

2024

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Audit and Risk Committee (“ARC”) Charter



1 Introduction

This Charter for the Audit and Risk Committee (ARC or Committee) sets out the membership, responsibilities, principles and operation of the ARC and identifies the interaction with the Executive Board and Management.

This Charter must be read in conjunction with other governance documents. However, no other policies should contradict or override the roles, responsibilities and authorities of the ARC as specified in this Charter.

The below delegations are subject to all rules and regulation of the OCA In line with any other directives/approvals of the Executive Board announced and implemented from time to time.

This Charter will become effective from the date it is approved by the Executive Board.

2 Purpose

The OCA Executive Board (the “Board”) has established an Audit and Risk Committee (“ARC”) to assist in discharging its oversight responsibilities relating to the OCA accounting and corporate governance, key persons dealings and market abuse practices, internal audit, internal controls, compliance procedures, risk management systems, financial reporting functions and in liaising with the OCA’s external auditors. The ARC does not oversee the day-to-day work of management and has no executive powers.

To assist OCA Executive Board in fulfilling its oversight responsibilities, in line with the Institute of Internal Auditors (IIA standards) and Regulatory requirements governing OCA, the Audit and Risk Committee (ARC or the Committee) has been constituted and delegated its authorities by the Executive Board, to provide oversight and reasonable assurance on:

- Financial reporting process.
- The integrity and adequacy of OCA internal control and risk management system.
- Internal and external audit processes, effectiveness and assessing performance.
- The OCA process for monitoring compliance with laws, regulations and code of conduct.
- Internal Audit function.

This Terms of Reference for the ARC sets out the responsibilities and principles and identifies the interaction with the Executive Board and Management.

The ARC will assist the Executive Board and Management in their responsibility of overseeing the adequacy of the OCA's internal control systems.

3 Reporting Line

The ARC shall report to the Executive Board in consultation with the other Committees on relevant matters, as applicable. The ARC Committee reports and findings will be forwarded to the Finance Committee to be reported to the Executive Board.

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4 Committee Structure and Membership

4.1 Committee Composition

The ARC members shall be appointed by the President & endorsed by the Executive Board. The Committee will comprise of three (3) members all should be non-Executive Directors. Appointments to the ARC will be for a period of three (3) years or could be resolved in lesser period based on the Executive Board decision whatever is shorter/before.

The ARC will be chaired by one of the Independent members appointed by the President.

The ARC members must possess academic qualifications and practical experience in financial management.

4.2 Members’ Requirements and Qualifications

The ARC members nominated and selected based on qualifications and below requirements to enable the members to carry out their responsibilities effectively. The ARC expected to have a balanced mix of skills, expertise, and experience, including:

- Understanding of financial statements and accounting principles.
- Knowledge and understanding of internal audit frameworks, external audits, and financial reporting.
- Familiarity with risk management practices and how they relate to financial reporting.
- Knowledge of regulatory requirements and standards related to auditing and financial reporting.
- Strong communication skills and the ability to effectively engage with management and external auditors.
- Knowledge and understanding of accounting principles, including international accounting standards, including IFRS.
- Familiarity with the OCA internal audit function and its role in identifying and managing risks.

4.3 Invitees

The Committee can invite members of the Executive Board, Management, Auditors, or others to attend the meetings, as required.

4.4 Quorum

A quorum at any ARC meeting shall consist of 2 members. Voting and attendance by proxy are prohibited at all times.

All members of the ARC shall normally attend all meetings in person unless they are prevented by critical prior commitments elsewhere with a prior written apology to be submitted and noted in the minutes. Members who cannot physically attend the meeting may attend by video or telephone conference. Active participation and regular attendance of each member is a requirement of the position.

4.5 Delegation

In the absence of the ARC Chairman at a meeting, the Vice Chairman of the ARC will chair the meeting.

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4.6 Secretary

The ARC may nominate any person to act as Secretary to the Committee.

5 Meetings

5.1 Frequency

The Committee will meet at least 4 times a year (once every quarter). However, upon the request and consent of the committee chairman or other members, additional meetings can be held with at least 7 business days pre-notification.

The Committee will establish an annual calendar of activities.

The Committee shall meet privately with the external auditors, internal auditor, and any other could be required at least once a year, without the attendance of the management.

The person or company in charge of internal audit shall participate in the periodic meetings of the ARC.

5.2 Notice and Agenda

The meetings should have pre-agenda and the minutes of all the meeting should be documented and signed off.

The Secretary to the ARC, after consultation with the ARC Chairman, shall establish the agenda for each meeting. Meeting papers are prepared by the Secretary and circulated in advance of meetings.

5.3 Minutes

The Secretary to the ARC will be responsible for preparing the minutes of the meetings. The minutes will be circulated for sign-off by all attending members of the ARC including the Chairperson.

The ARC, through its chairman, reports its minutes of meetings to the Finance Committee on quarterly basis or lesser period in case of urgent matters. Reports will cover any matters that in the opinion of the ARC should be brought to the attention of the Executive Board and any recommendations requiring approval and/or action should be presented separately.

On an annual basis, the ARC will assess its performance against its mandate and submit the report to the Executive Board.

5.4 Decisions and Voting Rights

All determinations of the ARC shall be made by a majority of its members present at a meeting.

All members should exercise independence in their decision-making and should abstain from any decisions involving any element of actual or potential conflicts of interest.

Where a matter which requires a decision before the next scheduled meeting arises, such a decision may be made by circulation to members. All decisions rendered by circulation shall be unanimous and reported to the Finance Committee.

Any attendee who is present in the discussions but is not a member of the ARC may not vote on any matter coming before the ARC for a vote.

In case the ARC 3 members could not reach decision, the matter would be reported by the ARC Chairman with each member opinion to the Executive Board for their decision.

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6 Committee Authority

The ARC is authorized to obtain independent legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise as may be considered necessary at the OCA's reasonable expense, whenever it is judged this is necessary to discharge their responsibilities as directors.

Access to management and information shall be based on the request of the ARC Chairman only.

The Committee independence is a cornerstone and follows the IIA guidelines, which is subject to assessment by the Executive Board, the ARC is authorized by the Executive Board to:

- Perform activities within the scope of this document.
- Approve and recommend to the Executive Board the appointment, removal and compensation of the External Auditors or any external party providing Internal Control Reviews.
- Approve and recommend for the Executive Board approval the appointment and removal of the Head of Internal Audit (if applicable) or any Company performing the Internal Audit services based on outsourcing or co-sourcing.
- Approve and recommend for the Executive Board approval the Internal Audit organizational structure and resources requirements (if applicable).
- Engage an independent consultant/professional advice, as it deems necessary, at OCA expense.
- Investigate any activity within the OCA based in the Executive Board Request.
- Have unrestricted direct access to members of management, employees, documents/relevant information and External and Internal Auditors. All employees are directed to cooperate with any request made by the Committee.
- Call on any executive employee or board member to attend its meetings.

All management are required to report to the ARC through the Head of Audit and/or ARC Chairperson without delay, any material misstatement and/or error in the financial statements, significant incidents concerning lapses in security/internal controls and/or material non-compliance with regulations & procedures and/or material lapse in risk management process and/or any fraud incident. Explanation report, if required, be supplied within a reasonable period of time.

7 Roles & Responsibilities

7.1 Chairman

The ARC's Chairman will be responsible to the Executive Board for the following:

- for the efficient conduct of the Committee's activities.
- ensure the agenda for each the committee meetings circulated to the members with the opportunity of providing comments or proposing additional agenda items for the consideration of the committee.
- propose the Committee's annual calendar and program of activities for approval by the Committee.

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- authorize and request other members of the Executive Board, management, employees and others to be present and participate at meetings of the Committee as deemed necessary and appropriate to the conduct of the Committee’s work.
- on behalf of the Committee, request information from management, employees and others, as required by the Committee in the conduct of its work.
- ensure the activities and resolutions of the Committee are duly recorded, communicated to the Executive Board, and followed-up on.
- organize and oversee the annual evaluation of the Committee’s effectiveness.
- prepare periodic reports of the Committee’s activities.

7.2 Committee

The main responsibilities of the ARC include, but are not limited to, the following:

7.2.1 Financial Statements & Reporting Process

- Reviewing the ARC's financial statements prior to presentation to the Executive Board.
- Review and discuss with management, external auditors and internal audit on the financial statements, complex or unusual transactions, key changes to accounting policies and practices, compliance with accounting standards.
- Review changes to accounting treatment and accounting issues of material impact on financial statements.
- Understand the judgments and accounting estimates applied in the financial reporting.
- Review the Financial reporting process and related internal accounting controls.
- Annually, request the external auditor opinion/views on the quality of the annual and interim financial reporting. Such quality assessment should encompass judgments about the appropriateness, aggressiveness or conservatism of estimates and elective accounting principles or methods and judgments about the clarity of disclosures.

7.2.2 Internal Control System & Risk Management

- Ensure periodic review of the adequacy and effectiveness of the internal control systems.
- When required, ensure the OCA's annual report to include a report on the adequacy of the internal control systems.
- Ensure that OCA through its 1st and 2nd line of defences has established adequate risk management processes and systems, methodologies and processes to assess various risks that could affect internal control systems including preventive, detective and corrective controls.
- Reviewing the OCA’s procedures for preventing and detecting fraud and whistleblowing and ensure that policy in place by which employees may, in confidence, raise concerns.
- To review the internal auditor Audit reports on the effectiveness of the systems for internal control, financial reporting, and risk controls.

The responsibility of the ARC shall not replace the responsibilities of the Executive Board or OCA Management regarding control over adequacy of the internal control, risk management systems and processes.

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7.2.3 Internal Audit

- Review and approve the Internal Audit mandate/Charter, the Internal Audit organizational structure and resources requirements and submit for the Executive Board approval. In case Internal Audit function is outsourced/co-sourced, the ARC will ensure that the assigned mandate meets the requirements as the function is performed in-house.
- Ensure that the Internal Audit staff or Company performing internal audit function enjoys independence and are objective.
- Ensure that Internal Audit is not assigned any executive and operational responsibilities.
- Approve the appointment or removal of the Head of Internal Auditor or the Company performing internal audit function on outsourced basis and approved its remuneration.
- Annually appraise the performance of the Head of Internal Audit and/or assessed the performance of the Company performing internal audit function.
- Approve the Internal Audit strategic plan and annual Key Performance Indicators (KPIs) and all major changes that may occur, as deemed necessary.
- Ensure that the Internal Audit function is adequately performed with the required capacity and skills to meet its plans and activities.
- Approve the Internal Audit policies and procedures.
- Review various Internal Audit reports whether issued internally or by the external Company performing internal audit function and ensure that proper management actions are taken to rectify material observation/s.
- Ensure that there are no unjustified restrictions or limitations to the scope of Internal Audit activities.

7.2.4 External Audit

- Review and recommend for the Executive Board appointment terms, termination and remuneration of External Auditors.
- Review of the audit scope, approach and adequacy of coverage.
- Review and confirm External Auditors independence by obtaining statement from auditors.
- Review the Management Letter, including any material issues raised and the management’s action plan.
- Obtain a copy of the audit report and meet at least once a year with the external auditors to discuss the audit reports and any other observations that may arise regarding the OCA’s matters, such meetings shall be attended by the Executive Board.
- At the end of the audit cycle, assess the External Audit process effectiveness and the management satisfaction level of the provided services.
- The Audit and Risk Committee shall meet privately with the external auditors without the attendance of the Executive Management, at least once a year.
- Finance shall provide ARC on quarterly basis, with list of non-audit services provided by the OCA External Auditors.

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7.2.5 Other Responsibilities

- Ensure that the Executive Board is making use of the observations of the internal and external audit as well as the internal control assessment reports and recognizing them as independent reviews.
- Provide quarterly report to the Finance Committee to be presented to the Executive Board about the Committee activities, issues, decisions and related recommendations.
- Confirm annually to the Executive Board that all authorities and responsibilities outlined in the Committee Charter have been carried out.
- Annually, evaluate the committee performance through self-assessment.
- Every 2 years, review adequacy of the ARC Charter. In case of material changes, review would be made on lesser interval under the Executive Board approvals.

8 Confidentiality

Members of the ARC and other persons who attend these ARC meetings must maintain silence on all documents they receive, on the contents of deliberations and on all confidential information of the OCA.

9 Ethics, and Conflicts of Interest

Committee members must fully adhere to all relevant policies along with other issued circulars for issues related to ethics and conflicts of interest.

10 Review

This document should be reviewed and updated every two (2) years or as and when required due to any regulatory or business requirements and in accordance with International Standards for Auditing. Any changes or updates to the document should be reviewed and approved by the Executive Board.

(END)