BOARD AUDIT AND RISK COMMITTEE CHARTER
(Adapted from the Institute of Internal Auditors)

Revised September 2019

EASTERN CARIBBEAN CENTRAL BANK
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1.0 INTRODUCTION
Pursuant to Article 8 (1) of the Eastern Caribbean Central Bank Agreement 1983 which states “the powers of the Bank shall be vested in a Board of Directors (the Board), which subject to Article 7, shall be responsible for the policy and general administration of the Bank”, the Board meeting, dated 12 December 1995, Paper number BD 84-95, approved the formation of the audit committee. The committee plays a significant role in providing oversight in relation to the Bank’s Governance, Risk Management, and Internal Control Practices. The main responsibilities of the committee then, were to provide oversight of the financial reporting process, selection of the external auditor and internal and external audit function. In November 2016, the areas of responsibility of the audit committee were broadened to include oversight of the Office of Risk Management, which was a newly established functional area within the Bank. The audit committee was resultantly renamed, the Board Audit and Risk Committee.

2.0 PURPOSE
The purpose of the Board Audit and Risk Committee (BARC) is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of governance, internal controls, risk management, values and ethics and the internal and external audit functions.

3.0 AUTHORITY
The authority of the BARC is established by the Board and is articulated in the Charter. The BARC shall have unrestricted access to personnel (internal and external auditors, management and employees), records, reports and any other explanatory information relevant to perform its duties. It has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate and oversee the work of the Bank’s external audit firm.
- Appoint, compensate and oversee the work of any external independent reviewers of the internal audit function.
- Resolve any disagreements between management and the internal and external auditors regarding financial reporting, audit activities and risk management.
- Retain independent counsel, accountants, risk experts, or other experts to advise the committee or assist in performing its functions, and executing activities as deemed necessary.
- Seek any information it requires from employees or external parties.
- Meet with the Bank's officers, external auditors, or outside counsel, as necessary.

4.0 COMPOSITION
The BARC shall consist of at least three members of the Board who are independent of the Bank. The Board will appoint committee members and the committee chairman. The Board may remove any member of the BARC at any time. Each member of the BARC shall be financially knowledgeable, with at least one member being proficient in the area of finance, including having training and experience in the field. The members of the committee shall collectively possess knowledge of accounting and finance, governance, finance, internal control and risk management. The committee should also possess strategic and broad thinking ability with the skills to also drip down into matters when necessary. In addition, the members of the BARC shall be bound by the BARC Code of Conduct.

5.0 MEETINGS
The committee shall convene meetings at least four times annually, with authority to convene additional meetings as circumstances require. All committee members are expected to attend meetings in person or via video or tele-conference. The committee will meet at such times as determined by its Chairman or as requested by any two of its members. The quorum necessary for the meeting shall be two members. The Chairman shall preside at all meetings. In the absence of the Chairman, the deputy chair will preside over the meeting. In the absence of the chair and deputy chair the committee shall select a member of the committee to serve as acting chair at the meeting.

The Chairman shall establish agenda items in collaboration with the head of the Internal Audit Department. The agendas shall be prepared and circulated in advance to members, along with appropriate briefing materials. Minutes shall be prepared and circulated, incorporating any necessary amendments at an agreed time after each meeting. The Chairman shall report the committee’s actions, recommendations and findings to the Board.
The BARC shall convene executive sessions with the Governor, the head of IAD, other heads of departments, the Chief Risk Officer, or other executives to impart pertinent information as required.

6.0 DUTIES AND RESPONSIBILITIES
The BARC shall review and assess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval. It shall ensure that the responsibilities that are outlined in the Charter are performed. The BARC shall perform the following duties and responsibilities:

6.1 Financial Reporting Process
- 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 external audit engagements, including any difficulties encountered, scope limitation and significant disagreements with management.
- Review the annual audited financial statements, and consider whether they are complete, accurate and consistent with information known to committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- Understand strategies, assumptions and estimates that management has made in preparing the financial statements.
- Discuss with management and the external auditors any off Balance Sheet structures on the Bank’s financial statements.
- Recommend approval of the annual financial statements to the Board.
- Review and recommend to the Board for approval, any new or amendments to the Bank’s accounting policies.
6.2 Values and Ethics

- Review and provide oversight on systems and practices management establishes to set and sustain high ethical standard.
- Review and provide oversight on systems and practices management establishes to monitor compliance with laws, regulations, policies and standards of ethical conduct.
- Review and provide oversight on systems and practices management establishes to identify and quickly address any legal or ethical violations.

6.3 Governance

- Review and provide oversight on governance initiatives established by the board and maintained by the organization.

6.4 Risk Management and Internal Control

- Consider the effectiveness of the ECCB’s internal control system, including information technology security and control.
- Provide oversight for the development and implementation of the Bank’s Enterprise Risk Management (ERM) Policy and Framework for the Board’s approval.
- Submit recommendations to the Board concerning the levels of risk tolerance and appetite and receive reports on the monitoring and management of risks within the levels of risk tolerance and appetite as approved by the Board.
- Discuss with the external auditors the ECCB’s policies on risk assessment and risk management, including the risk of fraud.
- Review with senior management the ECCB’s overall antifraud programmes and controls.
- Provide oversight on material risk exposures, including monetary policy, financial stability, market, credit, operational, liquidity, information security and cybersecurity, and review the steps that management has taken to control or monitor those exposures.
- Evaluate the linkages between the Assurance Framework and the Enterprise Risk Framework and submit recommendations for changes or improvements where necessary.
- Obtain reports on significant findings and recommendations, together with management’s responses emanating from the External Auditor’s review internal controls.
• Ensure that the internal audit activity has a Quality Assurance and Improvement Programme (QAIP), and that the results of these assessments are presented to the Board.

• Ensure that the external quality assurance review is conducted every five years.

• Review the results of the external, independent quality assurance review, and monitor the implementation of the internal audit’s action plans to address any recommendations.

6.7 External Audit Function

• Recommend the list of External Auditors to be approved by the Monetary Council (pursuant to Article 47 of the ECCB Agreement Act 1983).

• Review and discuss with the external auditors, the proposed audit scope and approach, and oversee the coordination of internal and external auditing work to ensure adequate audit coverage and to minimise duplication of efforts.

• Review the performance of the external auditors, and submit to the Board for ratification, the appointment, compensation or discharge of the external auditors.

• Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Bank, including non-audit services, and discussing the relationships with the auditors.

• Review and approve/recommend for approval audit services to be provided.

• On a regular basis, meet separately with the external auditors, on a regular basis, to discuss any matters that the committee or auditors believe should be discussed privately.

• Evaluate reports on external auditors with regard to the external auditors’ internal quality control procedures, conclusions on the external auditors’ quality assurance and improvement programmes and peer reviews or professional and supervisory authorities.

6.8 Other Responsibilities

The additional responsibilities of the BARC may include the following:

• Institute and oversee special investigations as needed.

• Obtain any information and training needed to enhance the committee members’ understanding of the role of internal audit and the independent auditor, the risk management process, and internal controls.
• Establish and oversee procedures for receipt, retention and treatment of complaints related accounting, internal controls or auditing matters, as well as confidential, anonymous submission by Bank’s employees.
• Perform other activities related to this charter as requested by the Board.
• Develop an annual work plan (for the committee) that will enable the committee to meet the requirements of the charter.
• Present annually to the Board of Directors a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
• Provide an open avenue of communication between internal audit, the external auditors, and the Board.
• Have one performance assessment of the committee completed at intervals to be determined by the committee.

This Charter was agreed to by the undersigned members of the Board Audit and Risk Committee of the Eastern Caribbean Central Bank.

John Skerritt  
(Chairman)

Hilary Hazel

Cointha Thomas

Edmond Jackson

This Charter was approved on the 13th day of September 2019 by the Board of Directors of the Eastern Caribbean Central Bank.

Timothy N. J. Antoine  
Chairman of the Board of Directors