

Terms of Reference (TOR) of Audit Committee of Meghna Insurance Company Limited

1. Purpose

An Audit Committee is a standing committee of the Board of Directors charged with oversight of financial reporting and disclosure. It assists the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.

The Terms of Reference (TOR) of the Audit Committee is framed as per Corporate Governance Code, 2018 of the Bangladesh Securities and Exchange Commission (BSEC) [Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018].

2. Abstract

- 2.1 The Board of Directors shall constitute, and reconstitute from time to time, an Audit Committee as a sub-committee of the Board of Directors.
- 2.2 The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.
- 2.3 The Audit Committee shall also evaluate whether the Management has established a sound compliance environment and importance of internal control system in the organization, the officials have been given clear directives regarding their duties and responsibilities in these regards and the Management has entire control thereon.
- 2.4 The Audit Committee shall be responsible to the Board of Directors and shall be responsible for performing the duties set forth below.

3. Constitution of the Audit Committee

- 3.1 The Audit Committee shall be composed of at least 3 (three) members, who shall be directors of the company, including at least 1 (one) Independent Director.
- 3.2 The Board of Directors shall appoint members of the Audit Committee. It shall also select 1 (one) member, who shall be an independent director, to be its Chairman. Qualification of the members shall conform to the requirements of the Corporate Governance Guidelines.
- 3.3 When the term of service of any member expires or there is any circumstance causing any member to be unable to hold office until expiration of the term of service, thus making the number of the members to be lower than 3 (three), the Board of Directors shall appoint new member(s) to fill the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) to ensure continuity of the performance of work of the Audit Committee.
- 3.4 The company secretary shall act as the Secretary of the Audit Committee.

4. Meetings of the Audit Committee

- 4.1 The meetings of the Audit Committee shall be presided over by its Chairman.
- 4.2 The quorum of a meeting of the Audit Committee shall constitute by majority of members and shall not constitute without at least 1 (one) Independent Director.

- 4.3 The Audit Committee shall hold at least 4 (four) meetings in a year to perform its duties and responsibilities.
- 4.4 The Audit Committee may invite the Chief Executive Officer, Head of Internal Audit or any other officials to attend the meeting.
- 4.5 The Audit Committee may request the internal and/or external auditors to submit valuation/evaluation report(s) on any specific issue.
- 4.6 All the observations/findings/recommendations of the Audit Committee shall be recorded in the minutes of the Committee.
- 4.7 The Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance and shall circulate the minutes of meetings of the Committee to all members of the Committee.

5. Duties and Responsibilities of the Audit Committee

- 5.1 The Audit Committee shall be responsible for the following duties:
 - i. To oversee the financial reporting process of the company.
 - ii. To monitor choice of accounting policies and principles.
 - iii. To monitor Internal Control and Risk Management processes.
 - iv. To oversee hiring (appointment) of external auditors.
 - v. To oversee the performance of external auditors.
 - vi. To review, along with the management, the annual financial statements before submission to the Board for approval.
 - vii. To review, along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.
 - viii. To review the adequacy of Internal Audit function.
 - ix. To review statement of significant related party transactions submitted by the management.
 - x. To review Management Letters/ Management Report/ Letter of Internal Control Weakness issued by the statutory auditors.
 - xi. To conduct a post-audit review of the audit findings including any significant suggestions for improvements provided to management by the statutory auditors.
- 5.2 The Audit Committee shall review whether all the applicable Rules, Regulations, Guidelines, Notifications, Directives, etc framed/issued by the regulatory authorities have been complied with.
- 5.3 When money is raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Issue of Right Shares the company, the Audit Committee shall ensure that
 - i. the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results; and
 - ii. the company shall, on an annual basis, prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.
- 5.4 The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-
 - i. report on conflicts of interests;
 - ii. suspected or presumed fraud/ irregularity/ material defect in internal control system;
 - iii. suspected infringement of laws, including securities related laws, rules and regulations;
 - iv. any other matter which shall be disclosed to the Board of Directors immediately.

- 5.5 If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.
- 5.6 The Audit Committee shall prepare a report on activities carried out by itself, including reporting to the Board of Directors, during the year and disclose such report to the Shareholders and General Investors through the annual report of the company.

6. Performance Review

- 6.1 The Board also may review the performance of the Audit Committee and give any suggestion(s) for enhancing its effectiveness.

7. Conclusion

- 7.1 This document is applicable for all concerned with immediate effect.
- 7.2 The Board shall have the authority to make amendment to this document at any time.