

**Confidential**

The Land and Agricultural Development Bank of South Africa  
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CENTURION



## AUDIT AND FINANCE COMMITTEE CHARTER



**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA  
(LAND BANK)**

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**Document Information and History**

<b>Document owner</b>	Company Secretary
<b>Author/Reviewer</b>	M K Mzaidume
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**1.1 Change Mechanism**

- 1.1.1 Any requirement for change or clarification should be addressed to the Document Owner, who will log the issue.
- 1.1.2 These issues will usually be collected until the regular Charter review date, at which point they will be addressed, as part of the Charter review and update process.
- 1.1.3 Urgent issues will be addressed as soon as possible, and where necessary, passed via the normal governance process, for acceptance, before being communicated.
- 1.1.4 Any changes to this Charter must adhere to the Change Policy.

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**1. PREAMBLE**

*"Corporate failures and scandals across countries, including the recent collapses of Carillion, Patisserie Valerie and London Capital & Finance in the UK, failings in South Africa's state-owned entities Transnet, Eskom, and South African Airways, and the 1MDB scandal in Malaysia to name a few, have all focused political and regulatory attention on the audit profession and also exposed serious corporate governance failings.*

*"Companies do not fail because of poor quality audits. An audit is designed to enhance confidence in financial reporting, but it does not relieve management or those charged with governance of their responsibilities. Ultimately, corporate failures and the resulting impacts on financial statements are consequences of poor governance and decisions.*

*"Effective governance is underpinned by purpose, vision, values and ethics that are reflected in the behaviors and actions of the board and management team and cascaded throughout the organization. The board in conjunction with management is responsible for setting the tone at the top, shaping the culture of the organization, and setting strategic direction. Organizations need to be proactive in driving improvements in their governance beyond adherence only to minimum requirements.*

*"The board has ultimate responsibility for the integrity and accuracy of the company's financial reporting, which includes ensuring implementation of internal controls over financial reporting, adoption of appropriate accounting policies, and appointment and oversight of independent external auditors. These responsibilities are often delegated by the board to its audit committee. But this delegation does not absolve the board of its obligations and accountability to shareholders and other stakeholders."*

*5 Key Factors to Enhance Audit Committee Effectiveness, IFAC, Laurie Tugman, Laura Leka, 20 September 2019*

Further economic volatility, austerity, sovereign downgrades, the COVID-19 pandemic, and increased competition in the financing of the agricultural sector has more than ever placed greater emphasis on the prudent management of resources and strategic decision making. Financial institutions which have active and qualified finance committees will have a definite competitive advantage in these uncertain times.

**2. DEFINITIONS**

**"Act"** means the Land and Agricultural Development Bank Act 15 of 2002 as amended

**"AFC"** means the Audit and Finance Committee of the Land Bank established in terms of the Act and the PFMA

**"AGSA"** means the Auditor General of South Africa and "AG" has an equivalent meaning

**"Board"** means the Board of directors of the Land Bank appointed in terms of the Act

**"Committee"** means the Audit and Finance Committee of the Land Bank

**"Land Bank"** means the Land Bank whose continued existence is confirmed by the Act and "Bank" has an equivalent meaning

**"PFMA"** means the Public Finance Management Act 1 of 1999

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**“Regulations”** means the March 2005 Treasury Regulations for Departments, Trading Entities, Constitutional Institutions and Public Entities issued in terms of the Public Finance Management Act, 1999

**3. PURPOSE OF CHARTER**

The purpose of this Charter is to set out the mission, authority, responsibilities, composition, constitution of meetings, frequency of meetings, conduct of meetings, decision-making, record keeping, and reporting and communication by the Committee on its activities to the Board of directors of the Land Bank and to other relevant stakeholders as prescribed by section 15(6) of the Land Bank Act.

**4. STATUS OF COMMITTEE**

The Audit and Finance Committee is a Committee of the Board of Directors of the Land Bank established in terms of the Land Bank Act and the PFMA.

**5. OBJECTIVES OF COMMITTEE**

The objectives of the Audit and Finance Committee are to assist the Board of Directors discharge its accounting, reporting and financial management responsibilities.

**6. AUTHORITY OF COMMITTEE**

The powers and functions Committee are set out in this Charter. The Committee has authority to:

- 6.1 Review and make recommendations to the Board regarding financial risk management in the Bank within the parameters of the risk appetite approved by the Board in order to maximize investment returns and earnings for given levels of risk
- 6.2 Review and make recommendations to the Board regarding effective liquidity risk management in the Bank in order to ensure that the Bank is able to fund increases in assets and meet its cash flow obligations as they become due without incurring unacceptable losses
- 6.3 Review and make recommendations to the Board regarding the capital adequacy of the Bank in order to ensure that the Bank is able to pay its debts as they fall due and able increase its assets through additional lending
- 6.4 Direct and control the system of internal audit which complies with and operates in accordance with Regulations and Instructions prescribed in terms of sections 76 and 77 of the PFMA
- 6.5 Oversee the system of internal controls
- 6.6 Oversee the financial and non-financial reporting process
- 6.7 Oversee the quarterly and integrated reporting process
- 6.8 Manage the relationship with the AG and other external assurance providers
- 6.9 Facilitate combined assurance by overseeing integration between the external audit, internal audit, compliance and risk management functions.

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- 6.10 Approve matters which fall within its mandate in terms of applicable laws and those delegated to the Committee by the Board
- 6.11 Resolve any disagreements between Management and auditors regarding financial and non-financial reporting.
- 6.12 Investigate any matter which falls within its mandate
- 6.13 Refer any matter to another Committee of the Board for advice or further attention
- 6.14 Retain independent counsel, accountants, or other professionals to advise or assist the Committee on any matter which falls within ambit of its authority
- 6.15 Seek any information it requires from employees of the Bank - all of whom are directed to cooperate with the Committee - or external parties.
- 6.16 Meet with officers of the Land Bank, the Auditor General or outside counsel, as necessary.
- 6.17 Engage with such other matters as may be referred to it by the Board or Management

**7. COMPOSITION OF COMMITTEE**

- 7.1 The Committee consists of not less than 3 members who are not in the employ of the Bank.
- 7.2 Members of the Committee are appointed by the Shareholder at an annual general meeting.
- 7.3 The Chairman of the Committee is a member of the Board of directors of the Land Bank.
- 7.4 The Chairman of the Board of directors of the Land Bank is entitled to be a member of the Committee, but cannot be its chairperson.
- 7.5 Members of the Committee are appointed for a period not exceeding 3 years and are eligible for reappointment.
- 7.6 The Shareholder shall fill any vacancies in the Committee within a reasonable time.
- 7.7 Members of the Committee shall be financially literate, and at least one member shall be designated as the "financial expert" as defined by applicable legislation or regulation.
- 7.8 The Committee may from time to time invite, permanently or otherwise, such persons as it considers may add value to the business of the Committee and the Land Bank.

**8. ACCOUNTABILITY OF COMMITTEE**

The Committee is accountable to the Board.

**9. ROLE OF COMMITTEE**

The primary role of the Audit and Finance Committee is to provide oversight over the financial reporting process, the audit process, the Bank's system of internal control, the financial position of the Bank, and the Bank's investments and returns.

**10. RESPONSIBILITIES OF COMMITTEE**

The responsibilities of the Committee are to:

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**10.1 Corporate Plan and Scorecard**

Advise the Board on the adoption of Corporate Plan and Scorecard

**10.2 Corporate Budget**

Review and advise the Board on budgeting over the MTEF (Medium Term Expenditure Framework) based on the Technical Guidelines issued by National Treasury from time to time.

**10.3 Materiality Framework**

Make recommendations to the Board regarding the adoption of a materiality framework

**10.4 Shareholder Compact**

Advise the Board on the adoption of, and adherence to, the Shareholder Compact

**10.5 Performance Against Predetermined Objectives (Quarterly Reporting)**

Monitor and advise the Board on performance against predetermined objectives as prescribed by the National Treasury.

**10.6 Audit Policy Plan**

Periodically review the Audit Policy Plan of the Bank in order to ensure that the total audit function is coordinated and executed logically and effectively and make recommendations to the Board in that respect.

**10.7 Management procedures with regard to internal control**

Periodically review the procedures implemented by Management in order to ensure that the accounting and information systems, related financial, accounting and reporting systems and controls, and security are adequate and effective.

**10.8 Financial control, accounting systems and reporting**

- a. Consider the effectiveness of the Bank's internal control system
- b. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
- c. Review the applicable accounting policies and practices for compliance with statutory requirements and for adequacy in the context of the Bank.
- d. Review financial policies and procedures introduced by Management to ensure that accounting systems are adequate and efficient and make recommendations to the Board in that regard.
- e. Assess the adequacy and effectiveness of the risk management process and the related internal controls for the major financial and performance risks to which the Bank is exposed.
- f. Review, with Management, the philosophy with respect to controlling the Bank's assets and financial information systems, and the plans for the enhancement of operations.

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- g. Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement
- h. Review of the annual financial statements and other relevant reports submitted by Management with a view to ensuring that the necessary controls are in place, and for providing reasonable assurance to the Board that the financial statements are compliant with all law, regulation and accounting standards, fairly present the financial position of the Bank and that all appropriate disclosures have been made.
- i. Review the measures introduced by Management to enhance the accuracy and fair presentation of the annual financial statements and any reports prepared with reference to the internal affairs of the Bank for distribution or publication, including those required by any regulatory authority.
- j. Review drafts of the half yearly and annual financial statements of the Bank and any other reports relating to the internal affairs of the Bank or financial information prior to submission to the Board for approval and/or release.
- k. Evaluate and recommend to the Board for approval the financial statements and non-financial performance information of the Bank for reasonableness and fair presentation before submission to the Auditor-General for auditing.
- l. In the Annual or Integrated Report of the Bank, comment on the quality and effectiveness of internal control during the year and the quarterly reports produced in terms of the PFMA;
- m. Review other sections of the Integrated Report and related regulatory filings before release and consider the accuracy and completeness of the information
- n. Review the budgets prepared by management and the controls established to ensure appropriate budgetary controls are in place and make recommendations to the Board in that regard
- o. Review significant accounting, auditing or disclosure problems highlighted by the Auditor-General or Management
- p. Review any adjustments proposed by the Auditor General to the financial statements
- q. Review any major fluctuations in accounting figures or ratios
- r. Review complex or unusual transactions and highly judgmental areas, and the manner in which they are reflected in the financial statements.
- s. Review and monitor the extent and nature of all off-balance sheet activities in Land Bank, ensuring their appropriateness, proper accounting treatment, reporting and disclosure.
- t. Review the capital adequacy of Land Bank in the light of both compliance and process requirements, and make recommendations to the Board in that regard
- u. Review the funding and liquidity position of the Bank, and make recommendations to the Board in that regard.
- v. Review and advise the Board on matters of Going Concern

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- w. Biannually and in consultation with the Credit and Investment Committee review all investment decisions of the Land Bank (valuations), and take such action, or make such recommendations to the Board and Management as it may consider necessary
- x. Ensure that capital expenditure is adequately budgeted, controlled, monitored and reported on.
- y. Review recent professional and regulatory pronouncements, and understand their impact on the financial statements
- z. Monitor and advise on assessments by credit ratings agencies to the extent that they are relevant to the Bank
- aa. Review with Management, the internal auditors and the Auditor General all matters required to be communicated to the Committee under International Standards of Auditing.
- bb. Ensure that the finance function is adequately resourced
- cc. Annually assess the performance and effectiveness of the finance function

**10.9 Auditor General**

- a. Review and recommend to the Board the unaudited annual financial statements and annual performance information before submission to the Auditor General for audit purposes
- b. Review the performance of the Auditor General to ensure that the Board receives the highest value from the external audit. In this regard, the Committee will:
  - i. Review the adequacy and appropriateness of the proposed audit scope and approach, including coordination of audit effort with internal audits
  - ii. Review and approve the audit strategy, plan and budgeted fee of the Auditor General.
  - iii. Review (and resolve) any significant accounting or auditing problems encountered during the annual external audit.
  - iv. Review the external auditor's summary report and its statutory report on the annual financial statements.
  - v. Review any significant matters, illegal acts, unauthorized expenditure or material irregularities reported by the external auditors and the steps taken by Management to rectify the situation.
  - vi. Approve non-audit services provided by the Auditor General
  - vii. Review the adequacy and effectiveness of the work performed by the Auditor General.
  - viii. Review the capacity and performance of the Auditor General



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- ix. Review and confirm the independence of the Auditor General 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.
- x. On a regular basis, meet separately with the Auditor General to discuss any matters that the Committee or auditors believe should be discussed privately

**10.10 Internal Audit**

- a. Approve and regularly review an internal audit charter
- b. Oversee and approve the appointment, remuneration, disciplining and removal of the head of the internal audit function or outsourced internal audit function where applicable
- c. Oversee the development of internal audit plans to ensure that all material risks are considered, and statutory and financial reporting requirements are met.
- d. Approve internal audit plans and any amendments thereto
- e. Monitor the implementation of, and reporting on, the internal audit plans.
- f. Review internal audit findings and the action plans of Management designed to address them, and ensure that issues identified are managed and rectified in an appropriate and timely manner
- g. Ensure that the internal audit function is independent and adequately resourced
- h. Consider whether the extent of reliance placed on internal audit is appropriate and that no significant gaps in audit assurance exist between internal and external audit.
- i. Approve any non-audit services to be provided by internal audit
- j. Annually assess the performance and effectiveness of the internal audit function including compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing
- k. Ensure that the internal audit function is subject to an independent quality review every 3 years or at such other shorter period as the Committee may determine
- f. Meet separately and regularly with the internal audit to discuss any matters which the Committee or internal audit believes should be discussed privately.

**10.11 Communication**

- a. Facilitate and promote communication between the Bank, regulatory authorities, the Auditor-General, internal auditors and Management on matters which fall within its mandate
- b. Communicate any concerns it may have to the relevant authorities as required by the law, this Charter or it deems necessary

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**10.12 Information and Technology**

- 10.12.1 Advise the Board on an approach and recommend policy for technology and information governance (including the adoption of appropriate frameworks, strategies and standards).
- 10.12.2 Monitor the implementation by Management of an effective technology and information strategy and plan.
- 10.12.3 Oversee the results of management's implementation of information strategies and plans, including ensuring that these result in the following:
  - a. The leveraging of information so that it sustains and enhances the intellectual capital of the Bank.
  - b. An information architecture that supports the confidentiality, integrity and availability of information.
  - c. The protection of the privacy of personal information.
  - d. Information security strategies, activities and initiatives that are driven by the strategic direction of the Bank, i.e. the business value of information security must be clearly understood.
  - e. The continuous monitoring of the security of information.
- 10.12.4 Ensure strategic alignment of information and technology with the business of the Land Bank
- 10.12.5 Promote the integration of people, technologies, information and process across the Bank
- 10.12.6 In consultation with the Risk and Governance Committee, ensure the integration of information and technology risk into organisation-wide risk management
- 10.12.7 Ensure that information and technology support business resilience
- 10.12.8 In consultation with the Risk and Governance Committee, proactively monitor to identify and respond to incidents including cyber-attacks
- 10.12.9 In consultation with the Risk and Governance Committee, oversee the management of risks pertaining to information and technology of third party outsourced service providers
- 10.12.10 Evaluate the value gained by the Bank through significant investments in technology and information, including the evaluation of projects throughout their life-cycles.
- 10.12.11 Assess and make recommendations to the Board regarding the value acquired by the Land Bank through significant operational expenditure.
- 10.12.12 Advise the Board regarding the disposal of obsolete technology and information while paying due regard to issues of information security and the environmental impacts pertaining to such disposals.

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- 10.12.13 Promote the ethical and responsible use of technology
- 10.12.14 In consultation with the Risk and Governance Committee, oversee compliance with all relevant laws, regulations and standards with regard to information and technology
- 10.12.15 Oversee the results of management's implementation of technology strategies and plans, including ensuring that these result in the following:
  - a. A technology architecture that promotes the achievement of strategic and operational goals.
  - b. The management of risks that are associated with the sourcing of technology.
  - c. The protection of information and technology assets, disaster recovery and continuity of operations.
  - d. The monitoring of and appropriate responses to developments in technology including exploitation of potential opportunities, and the management of disruptive effects on the Banks and its business models.
  - e. The optimisation of the information and technology infrastructure.
- 10.12.16 Receive periodic independent assurance on the effectiveness of the technology and information arrangements of the Bank, including outsourced services
- 10.12.17 Ensure that the following disclosures are made:
  - a. An overview of the arrangements for governing and managing information and technology
  - b. Key areas of focus during the reporting period including objectives and significant changes in policy, significant acquisitions, and remedial actions taken as a result of major incidents
  - c. Actions taken to monitor the effectiveness of information and technology management and how the outcomes were addressed
- 10.12.18 Monitor the return on investment (ROI) from major Information and Technology Projects

10.13 **Assets**

- a. Ensuring the efficient use of the assets of the Bank
- b. Ensuring that the assets of the Bank are protected in a responsible and cost-effective manner

10.14 **Compliance**

Ensuring that all law, regulation, and best practice which is applicable to matters which fall within its mandate are adhered to

## **11. MEETINGS OF THE COMMITTEE**

### **11.1 Work Plan**

The Chairperson of the Committee in consultation with the Company Secretary and with inputs from the CEO, the CFO and other Executives shall formulate an annual Work Plan for the Committee against agreed objectives and goals.

### **11.2 Convening Meetings**

Meetings of the Committee shall be convened by the Chairperson of the Committee through the Office of the Company Secretary.

### **11.3 Frequency of Meetings**

The Committee will meet at least quarterly and at such other additional times as may, at the direction of the Chairperson of the Committee or upon request of a Committee member or management, be considered necessary.

All requests for special or ad hoc Committee meetings shall be directed to the Chairperson of the Committee through the offices of the Company Secretary.

### **11.4 Agenda**

Each Committee meeting shall have a detailed Agenda based (in the case of scheduled meetings) on the Committee Work Plan, and in the case of special or ad hoc Committee meetings, on the specific matter for which the special or ad hoc Committee meeting was requested and approved.

A detailed Agenda, together with supporting documents (if necessary) must be circulated to Committee members at least 5 days prior to each Committee meeting.

### **11.5 Attendance**

One or more members of the Committee may participate in a meeting by electronic communication, so long as the electronic communication facility employed, ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary and to participate effectively in the meeting.

### **11.6 Quorum**

The quorum for any Committee meeting shall be a majority of the members of the Committee from time to time. No business of the Committee will be transacted at a meeting of the Committee unless the requisite quorum is present.

Invitees do not form part of the quorum of a Committee meeting and are not entitled to vote at Committee meetings.

### **11.7 Presiding at meetings**

The Chairperson of the Committee shall preside at Committee meetings. If the Chairperson is absent, members present shall elect one of their number to preside at the meeting.

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**11.8 Voting**

Each member of the Committee has one vote on matters before the Committee and all decisions of the Committee must be taken by resolution of a majority of the members present at any meeting in person and by electronic means.

A decision that could be voted on at a meeting of the Committee may, at the instance of the Chairperson of the Committee, or at the request of a Committee member or Management to the Chairperson through the offices of the Company Secretary, instead be adopted by written consent of a majority of the Committee members. A decision made by the Committee in this manner will be of the same effect as if the decision had been approved by voting at a meeting of the Committee. Such fact must be recorded in the minute book of the proceedings of the Committee.

Committee advisers and invitees do not have the right to vote.

**11.9 Reporting**

The Committee shall report on its activities at every Board meeting. Chairpersons of Committee are encouraged to submit such reports in writing.

**11.10 Minutes**

- a. Within ten (10) days of a Committee meeting, the Company Secretary shall prepare draft minutes, with resolutions and matters arising, of each Committee meeting and submit them for review to the Chairperson of the Committee.
- b. The Chairperson of the Committee shall within two (2) days of receipt of the draft minutes review same and approve them for circulation to all members of the Committee.
- c. Members of the Committee have two (2) days to review the draft minutes as reviewed by the Chairperson of the Committee. Committee members will thereafter advise the Chairperson of the Committee through the offices of the Company Secretary of their position with regard to the adoption of the minutes.
- d. The Chairperson of the Committee or the Chairperson of a meeting shall sign the minutes once adopted by Committee members and once agreed amendments and/or corrections, if any, have been effected to the minutes by the Company Secretary.

**12. PROFESSIONAL ADVICE**

The Committee is entitled to seek independent professional advice about the affairs of the Committee at the expense of the Land Bank.

**13. CONFIDENTIALITY AND CONFLICT OF INTERESTS**

Committee members are bound by the law and by Land Bank Policy on Confidentiality and Conflict of Interest.

**14. PERFORMANCE**

The Committee shall at least once a year review its own performance to ensure that it is operating at maximum effectiveness

**15. REVIEW OF CHARTER**

This Charter shall be reviewed at least once a year.

**16. ADOPTION OF CHARTER**

This Charter was adopted by the Board on 26 April 2023.