



# **Responsibility of Directors**

### **RESPONSIBILITY OF DIRECTORS**

1. The Board of Directors is responsible for the establishment of policies and the setting of strategic goals of the company. The Board is not responsible for the implementation of those policies or the operationalization of the strategic plans. That is the responsibility of the Management of the Company.

### **DELEGATION OF FUNCTIONS**

2. The Board in order to keep meetings to manageable and reasonable times may delegate some of its responsibilities. This delegation is done by establishing sub committees who will perform the indept work needed and then report back to the full Board. The Board will then deliberate on these reports and either adopt or make changes as necessary.

### **SUB COMMITTEES REQUIRED BY THE COMPANY'S ACT**

3. The only sub-committee of the Board, which was specified in the Companies Act is that of the Audit Committee. This highlights the importance of this Sub-Committee and the function of Internal Audit as a whole.

### **AUDIT CHARTER**

4. The Audit Committee will prepare a charter to guide its operations. The State Enterprises performance manual contains a standard Charter to guide Companies in formulating their charter. This charter is a guide to companies and does not have to be followed religiously. That is providing the Company accomplishes all that is set out in the charter, they could vary the quarters in which the tasks are performed.

### **INTERNAL AUDITOR**

5. The Internal Auditor is an important part in the operations of a Company. The Internal Auditor must not only be independent but must also be seen to be independent. Therefore he/she reports functionally to the Chairman of the Board of Directors. The Chairman could delegate and have him/her report to the Chairman of the Audit Committee. Not with standing that the Chairman of the Board must be available to the Internal Auditor if he/she desires. Administratively the Internal Auditor reports to the Chief Executive Officer. This is in relation to attendance, time keeping, vacation leave, etc.

In the event the CEO requires an audit to be performed, the request is to be channeled through the Audit Committee who would prioritize the request in relation to the other assignments of the Internal Auditor.

### **OTHER SUB COMMITTEES**

6. Typically other sub-committees which may be established are
  - (i) The Tenders Committee
  - (ii) Finance Committee
  - (iii) Human Resources Committee
  - (iv) Investment Committee

Companies may establish other committees which are specific to their needs.

### **COMPOSITION OF COMMITTEES**

7. The committee should comprise of at least two (2) non-executive Board members. The chairman of the committee would be selected from one of these Board members. The selection of the Board members to serve on committee will be in line with their area of expertise.

Apart from the Directors, the Committees would comprise members of the management team from the functional area. The Board may also co-op external expertise to assist in the functioning of the committee. The quorum for the Committee however is the two Board members.

### **CHAIRMAN OF THE BOARD**

8. Ideally the Chairman of the Board should not be selected to serve on any committee. However, if the remit of the committee falls under his/her area of expertise, it would be a waste of resources to exclude him/her from the committee. However, under no circumstances should he/she be made the chairman of the committee. Best practice also dictates that the chairman should not serve on the Audit Committee.

## MEETINGS

9. Meetings of the sub-committee should be held at least once per month. This does not preclude the committee from meeting as often as necessary to conclude the business on hand. The timing of the meeting should allow the minutes of the meeting and any reports of the committee to be tabled at the Board meeting for the month. The requirement of the Audit Committee is that meetings are held at least on a quarterly basis. Again depending on the size and complexity of the company more frequent meetings may be necessary.

## CONDUCT OF MEETINGS

10. Meetings are to be conducted where by an agenda is set. Minutes are taken and protocols are followed. The minutes are to be confirmed at the following meeting.

## ROLE AND FUNCTION

11. The function of the Committee is to set policies in the respective functional area. They will also monitor the effectiveness of the policy and make adjustments as necessary. The committee will also monitor the implementation of policies by management and recommend any actions if management fails to implement policies. The committee however is not responsible for the implementation. The function resides solely with the management of the Company. This is in line with functions of the Board as discussed early. An example of the implementation process is that the Human Resource committee should not take part in the interview process of the hiring of new employees. That process resides in the Human Resource department and the functional area which is seeking the employee. The Board of directors should be involved in the hiring of only two (2) employees. The first being the Chief Executive Officer (CEO). This is so because the CEO reports to the Board and they are responsible for assessing his performance.

The second employee is the Internal Auditor. The Audit Committee would perform this function to maintain the independence of the Internal Auditor.

Similarly in the Tendering process, the role of the Tenders Committee is to review the evaluation committees report and make an award based on their recommendation.

The Tenders Committee should not actually perform the evaluation.

In reviewing the report if deficiencies in the process are discovered, they refer the report back to the Evaluation Committee to correct the deficiencies and produce a new report.

I hope that this presentation has enhanced your knowledge of the Board's Subcommittee.

Thank you.