

## **Terms of Reference (ToR): Compliance and Ethics Sub-Committee of the AEPC Board**

### **1. Constitution**

- 1.1. As per the article 6 of the Alternative Energy Promotion Development Board (Formation) Order 1996, the AEPC Board (the board) has established a sub-committee of the board, known as the Compliance and Ethics Sub-Committee, with terms of reference as set out below.
- 1.2. The terms of reference of, and any delegation of executive power by the board to, a sub-committee must be recorded in the board's minutes.

### **2. Purpose**

- 2.1. The sub-committee is under the board and its purpose is to provide assurance to the board as to:
  - 2.1.1. Oversee the function of Compliance Unit (the Unit) in AEPC
  - 2.1.2. the veracity of the financial statements;
  - 2.1.3. the efficacy of the Compliance Unit;
  - 2.1.4. the strength and appropriateness of control processes across the AEPC; and
  - 2.1.5. the values, ethics and good reputation of AEPC, including matters related to AEPC's Code of Ethics and ethical issues in general related to AEPC.
- 2.2. The sub-committee's responsibility and authority covers the entire AEPC, including any project or programmes funded by external donors and any joint ventures that may be entered into.

### **3. Membership**

- 3.1. The sub-committee shall be comprised of five members coordinated by a Board member. Other members of the sub-committee shall be Joint-Secretary, Legal Department, Under-Secretary, Finance Section from the Ministry, Independent Legal Expert and Independent Finance Expert.
- 3.2. Members of the Sub-Committee shall be appointed by the Board. Appointments to the Sub-Committee shall be for a period of up to two years extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 3.3. The Sub-Committee may invite person or persons supposed to be experts on the subject matter as and when appropriate and necessary in its meeting or part of meeting on a regular or partial basis as the case may be .
- 3.4. The board shall appoint the sub-committee chairman. In the absence of the sub-committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 3.5. The coordinator shall chair the meeting of the Sub-Committee. In his absence, the remaining members present shall elect one of themselves to chair the meeting.

### **4. Secretary**

4.1. For regular operation, a person nominated by AEPC shall act as the secretary of the committee and will ensure that the sub-committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## **5. Quorum**

5.1. The quorum necessary in the meeting of the Sub-Committee must be of three members.

## **6. Frequency of meetings**

6.1. The sub-committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

6.2. Outside of the formal meeting programme, the sub-committee chairman will maintain a dialogue with key individuals involved in AEPC's governance, including the board chairman, the Executive Director, the finance director, and the members of the Compliance Unit.

## **7. Notice of meetings**

7.1. Meetings of the sub-committee shall be convened by the secretary of the sub-committee at the request of any of its members or at the request of the external audit lead partner or if they consider it necessary.

7.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting documents shall be sent to sub-committee members and to other attendees as appropriate, at the same time.

## **8. Minutes of meetings**

8.1. The secretary shall minute the proceedings and decisions of all meetings of the sub-committee, including recording the names of those present and in attendance.

8.2. Draft minutes of committee meetings shall be circulated promptly to all members of the sub-committee. Once approved, the decision of the meeting shall be submitted to the next meeting of the board.

## **9. Duties**

The committee should carry out the duties as below:

### **9.1. Financial reporting**

9.1.1. The committee shall monitor the integrity of the financial statements of AEPC, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the board on significant financial reporting issues and judgments which they contain having regard to matters communicated to it by the auditor.

9.1.2. In particular, the committee shall review and recommend for the improvements

where necessary:

- 9.1.2.1. the consistency of, and any changes to, significant accounting policies both on a year basis and across AEPC;
  - 9.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.1.2.3. whether AEPC has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor; and
  - 9.1.2.4. all material information presented with the financial statements, such as AEPC's governance statements relating to the audit and to risk management.
- 9.1.3. Where the committee is not satisfied with any aspect of the proposed financial reporting by AEPC, it shall report its views to the board.

## 9.2. Narrative reporting

Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the AEPC's performance.

## 9.3. Internal controls and risk management systems

The committee shall:

- 9.3.1. keep under review the adequacy and effectiveness of AEPC's internal financial controls and internal control and risk management systems; and
  - 9.3.2. review and approve management statements provided annually concerning internal controls and risk management.
- 9.4. Compliance, whistle-blowing and fraud

The sub-committee shall:

- 9.4.1. review the adequacy and security of AEPC's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 9.4.2. review the AEPC's procedures for detecting fraud;
- 9.4.3. review AEPC's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- 9.4.4. review regular reports from the experts in the Compliance Unit and keep under review the adequacy and effectiveness of AEPC's Compliance Unit.

## 9.5. Internal audit

- 9.5.1. approve the appointment or termination of the third party auditors (if required) for the compliance unit.

- 9.5.2. ensure the experts in compliance sub-committee has direct access to the board meeting and are accountable to the sub-committee chair;
- 9.5.3. review and assess the annual compliance unit work plan;
- 9.5.4. receive a report on the results of the compliance unit work on a periodic basis; and
- 9.5.5. review and monitor management's responsiveness to any compliance unit findings and recommendations.

## 9.6. Code of Ethics

The committee is responsible for:

- 9.6.1. monitoring the application of the rules and processes set out in the Code of Ethics;
- 9.6.2. reviewing the Code of Ethics at least once a year and recommending any changes as appropriate; and
- 9.6.3. providing guidance and recommendations to the Board on all aspects related to the rules and processes set out in the Code of Ethics. This may include:
  - 9.6.3.1. providing advice to the board, Executive Director or AEPC employees on ethical questions related to the Code of Ethics;
  - 9.6.3.2. evaluating potential conflicts of interest where it is requested to do so by the board, Executive Director; and
  - 9.6.3.3. reviewing suspected breaches of the Code of Ethics referred to the committee (by a AEPC employee, Executive Director, partner agency or signatory) before making a recommendation to the Board on possible sanctions.
- 9.6.4. the sub-committee is responsible for acting as a point of contact for signatories or stakeholders to address any concerns or issues they might have about the Board Chair and Senior management related to their role and position at AEPC, and making sub-subsequent recommendations to the Board on the concerns or issues.
- 9.6.5. the sub-committee will also consider any other topics referred to it by the Board from time to time.

## 10. Reporting responsibilities

- 10.1. The sub-committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:
  - 10.1.1. the significant issues that it considered in relation to the financial statements and how these were addressed;
  - 10.1.2. its assessment of the effectiveness of the Compliance systems; and
  - 10.1.3. any other issues on which the Board has requested the sub-committee's opinion.

- 10.2. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

## **11. Other matters**

The sub-committee shall:

- 11.1. have access to sufficient resources in order to carry out its duties, including access to AEPC staff for assistance as required;
- 11.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.3. oversee any investigation of activities which are within its terms of reference;
  
- 11.4. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board and AEPC.

## **12. Authority**

The sub-committee is authorized to:

- 12.1. Seek any information it requires from any employee of AEPC in order to perform its duties;
- 12.2. obtain, at AEPC's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.3. call any employee to be questioned at a meeting of the sub-committee as and when required; and
- 12.4. have the right to publish in the AEPC's annual compliance report, details of any issues that cannot be resolved between the sub-committee and the board.