

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Approved by the Board of Governors on 3 May 2005,
amended on 13 November 2005, on 26 April 2006 and on 17 April 2008

1. Purpose

The Board of Governors (the Board) has established an audit committee to provide oversight of the external audit function and review of the internal audit function of the IB.

The audit committee's role is:

- (i) to monitor the integrity of the financial statements of the organization including the audited annual financial statement, the related financial internal controls and risk-management system
- (ii) to consider the accounting policies and any estimates or judgements used in the compilation of the financial statements and to determine their reasonableness on an annual basis
- (iii) to consider and monitor the management response to the annual audit management letter
- (iv) to approve the three year rolling internal audit plan
- (v) to consider internal audit reports and to monitor management action in response to such reports
- (vi) to monitor and keep under review the effectiveness of the organization's internal audit function and to evaluate their performance on an annual basis
- (vii) to make recommendations to the Board on the appointment of the external auditor and to approve their remuneration and terms of engagement
- (viii) to consider and advise the Board on the adoption of the annual accounts as presented by the director general and finance director and as audited by the IB auditors
- (ix) to receive and consider the external audit plan in particular the adequacy of staffing and to recommend its acceptance to the Board
- (x) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to review the performance of the external auditor
- (xi) to advise the Board on policy in respect of the engagement of the external auditor to supply non-audit services
- (xii) to review the IB process to ensure compliance with all legal and regulatory issues in respect of financial reporting
- (xiii) to assist the Board in its oversight of the adequacy and operation of the system of internal control relating to the financial reporting process
- (xiv) to receive reports of any evidence of fraud no matter how insignificant in financial terms and may instigate an investigation of the same
- (xv) to evaluate the performance of the audit committee every three years.

Risk management

- (xvi) to keep under review the IB's institutional risk policy and risk management systems
- (xvii) to regularly review with senior management, and other Board committees where appropriate, major risks to which the IB is exposed and the systems to mitigate them, based on management's annual assurance statement to that effect to the Board
- (xviii) to annually advise the Board in a manner that will allow it to adopt, duly qualified where applicable, the approved statement on risk for inclusion in the annual statutory financial statements of the IB: "The major risks to which the IB is exposed, as identified by the Board of Governors, have been reviewed and systems have been established to mitigate those risks"
- (xix) The audit committee's risk management responsibilities will be reviewed, for appropriateness and possible transfer to a separate risk management committee, in 2009, when it is estimated that the institutional risk management system will be fully matured.

2. Membership

2.1 The audit committee shall comprise the following voting members:

- Three members of the Board of Governors
- At least one and not more than two persons with appropriate audit expertise not being a member of the Board of Governors.

2.2 The following IB staff attend meetings except if the audit committee goes into executive session:

- The director general (or nominee)
- The deputy director general
- The chief financial director

2.3 The external auditor and chief internal auditor will attend meetings of the audit committee except if the audit committee goes into executive session.

2.4 The chair of the audit committee can either be one of the external experts or a member of the Board who is not otherwise a chair of any committee reporting to the Board.

3. Additional rule of procedure

The chair of the finance committee and the chair of the audit committee will keep each other informed of any issues of relevance to the functions of the committees that arise and relate to reporting obligations to the Board.

4. Caveat

- 4.1 The audit committee has the responsibilities set forth above. However, the responsibility for ensuring that the financial statements provide a true and fair view of IB operations and are in accordance with generally accepted accounting policies rests with management and the external auditor.
- 4.2 Responsibility for the scope, approach and conduct of the internal and external audits rests with those appointed.
- 4.3 The audit committee is entitled to rely on the integrity and honesty of those providing it with information and to assume the accuracy of financial and other information provided unless evidence to the contrary has been presented. In that event, the evidence would be provided to the Board and the director general.

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