

**APPROVED**

**By the Resolution of the Management  
Board of the Ukrainian Red Cross  
Society**

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# **CHARTER OF THE AUDIT, RISK MANAGE- MENT AND ETHICS COMMITTEE OF THE UKRAINIAN RED CROSS SOCIETY**

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# I. GENERAL PROVISIONS AND THE PURPOSE OF ESTABLISHMENT OF THE COMMITTEE

**1.1.** The Audit, Risk and Ethics Committee of the Ukrainian Red Cross Society (hereinafter referred to as the 'Committee') is a permanent advisory body established to support the Management Board, the Presidium of the Management Board, the President of the Ukrainian Red Cross Society (hereinafter referred to as the 'Society'), the General Director of the National Committee of the Society and his deputies (hereinafter referred to as the 'Management of the National Committee') in supervising the processes of strategic management, preparation of financial statements, risk management, internal control, internal and external audit in the activities of the Society and its regional (local) organizations.

**1.2.** The Committee advises the Management Board, the Presidium of the Management Board, the President of the Society and the management of the National Committee on:

- preparation and disclosure of financial and other public reports;
- identification of risk areas, assessment and management of risks;
- internal control;
- prevention and combating fraud;
- organization and carrying out of internal and external audits, other professional services;
- compliance with laws and local regulations (hereinafter referred to as 'compliance') and the Code of Conduct of the employees of the Society (hereinafter referred to as the 'Code of Conduct').

**1.3.** Decisions of the Committee are of an advisory nature and are provided for consideration and decision-making to the Management Board, the Presidium of the Management Board, the President of the Society and the management of the National Committee in accordance with their authorities.

## II. PROCEDURE FOR THE ESTABLISHMENT OF THE COMMITTEE

**2.1.** The Committee consists of three to five persons.

**2.2.** Members of the Committee are appointed by the Management Board of the Society following a recommendation by the President of the Society from among the candidates for membership in the Committee, who were selected by the Nomination Commission.

**2.3.** Members of the Committee are appointed for a term of five years.

If the congress of the Society elects a new composition of the Management Board before the end of the five-year term of office of the Committee, its personal composition may be updated in accordance with the procedure for selecting candidates and recruitment of the members of the Committee outlined by this section.

**2.4.** The selection of the Committee membership candidates is carried out as a public competition by the Nomination Commission consisting of the President of the Society, the General Director of the National Committee and a representative of the International Committee of the Red Cross (if agreed).

The decision of the Nomination Commission regarding the selection of candidates for membership in the Committee is formalized in the protocol, which is signed by all members of the Nomination Commission.

**2.5.** Members of the Committee must have sufficient knowledge, qualifications, relevant managerial and professional experience (more than five years) in one or more of the following areas of expertise (in accordance with the Matrix of Competencies of the Committee members in accordance with Annex 1 to the Charter):

- external or internal audit;
- preparation of financial statements;
- information technology;
- risk management and internal control;
- legal and regulatory support of economic activity;
- corporate governance;
- compliance;

**2.6.** Members of the Committee must have a reputation that does not raise doubts that they will perform their duties with diligence and act in the interests of the Society.

**2.7. Members of the Committee may not be persons who:**

- hold and have held, during the previous three years, the positions of members of the governing bodies of the Society or regional (local) organizations of the Society;
- have or have had, during the previous three years labor relations, civil or economic relations with the Society, regional (local) organizations of the Society, legal entities established by them or the National Committee;
- are persons affiliated with members of the governing bodies and/or employees of the Society or regional (local) organizations of the Society;
- receive or have received remuneration or assistance in any form from the Society or regional (local) organizations of the Society during the previous three years;
- are members of the Society;
- are volunteers of the Society.

**2.8.** The authorities of the members and the Head of the Committee may be terminated prematurely by the decision of the Board

- in case of self-recusal;
- in case of low participation in the activities of the Committee (including the participation in less than 75% of the Committee's meetings during the year) – upon the request of the Head of the Committee;
- based on the results of the annual self-assessment of the Committee's activities – upon the request of the Head of the Committee.

**2.9. The same person may not be a Member of the Committee for more than two consecutive terms, and after the expiration of the previous term of office of the members of the Committee, at least 30% of its members must be replaced.**

**2.10.** The Head of the Committee is elected by the majority vote of the Members of the Committee from among its members.

**2.11.** Members of the Committee perform their duties on a pro bono basis.

**2.12.** Members of the Committee may receive reimbursement of business trip expenses related to the activities of the Committee, in the manner and in the amount established by the Society.

### **III. COMPETENCES OF THE COMMITTEE**

#### **3.1. Compliance with the Code of Conduct:**

- analysis, discussion and advising on policies, procedures and practices established in the Society to ensure compliance with the Code of Conduct;
- analysis, discussion and advising on policies, procedures and practices established in the Society to ensure compliance with the requirements of the legislation of Ukraine and local regulations of the Society in the activities of the Society and regional (local) organizations;
- consideration and discussion of observations and conclusions of internal and external auditors, as well as conclusions of control and regulatory authorities regarding violations of the requirements of the legislation of Ukraine in the activities of the Society and regional (local) organizations of the Society;
- analysis, discussion and advising on the implementation (functioning) of the "integrity line" procedures, through which the employees of the Society and regional (local) organizations of the Society or third parties can confidentially inform about the facts of violation of the Code of Conduct, current legislation or internal regulatory documents, as well as the procedure for considering and responding to such reports;
- advising the President of the Society on the appointment of official investigations into violations of the Code of Conduct identified in the Society and/or regional (local) organizations of the Society;
- consideration of the results of measures taken following the identification of the facts of violation of the Code of Conduct;
- holding regular meetings with the management of the National Committee, heads of regional (local) organizations of the Society to consider significant compliance risks.

#### **3.3. Risk management and internal control:**

- analysis, discussion and advising on risk management and internal control procedures that are or will be implemented in the Society and regional (local) organizations of the Society, including security and control of information systems;
- review of the reports of the management of the National Committee, the internal audit department, the external auditor, other internal and external providers of professional services on the status and effectiveness of risk management and internal control systems, as well as reports on the results of the audit of the Society's projects and programs;
- analysis, discussion and advising for the development, implementation and change of risk management and internal control policies and procedures;
- conducting regular meetings with the management of the National Committee and heads of regional (local) organizations of the Society to consider significant risks, problems and shortcomings of internal control and relevant plans and measures to eliminate such shortcomings;
- consideration of the results and quality of the implementation of corrective measures introduced by the management of the National Committee and heads of regional (local) organizations of the Society in accordance with the recommendations of the internal audit department, external auditor, other internal and external providers of professional services.

### **3.3. Anti-corruption and anti-fraud:**

- analysis, discussion and advising on the Society's measures aimed at preventing and combating corruption and fraud;
- advising the President of the Society on the appointment of special inspections or official investigations into the facts of corruption and fraud detected in the Society and/or in regional (local) organizations of the Society;
- consideration of the results of taking measures on the revealed facts of corruption and fraud;
- holding regular meetings with the management of the Society and regional (local) organizations of the Society to consider significant risks of corruption and fraud.

### **3.4. Internal audit:**

- reviewing and advising on the approval and revision of the Internal Audit Charter; providing recommendations on the budget and resources required to implement the internal audit plan, including the use of external professional service providers to perform selected internal audit tasks;
- providing recommendations on the necessary qualifications, hiring (appointment) and dismissal of the head of the internal audit department;
- providing recommendations on the amount of remuneration for the head of the internal audit department;
- reviewing and providing recommendations on the strategy, goals, performance indicators and performance evaluation of the internal audit department;
- reviewing, discussing and providing recommendations regarding the approval of the risk-oriented activity plan of the internal audit department and amendments to the plan, as well as the approval of unscheduled internal audit tasks;
- reviewing and discussion of internal audit reports, the results of the implementation of the internal audit activity plan and regular communication with the head of the internal audit department on other issues, including communication without the participation of the management of the National Committee;
- review of the results and quality of the implementation of corrective measures introduced by the management of the National Committee and regional (local) organizations of the Society on the recommendations provided by the internal audit department;
- reviewing, discussing and advising on the results of special inspections and internal investigations conducted by the internal audit department;
- requesting information from the Head of Internal Audit and the management of the National Committee regarding any restrictions on the work of the department;
- requesting information from the Head of Internal Audit to identify any indicators or signs of fraud in the performance of internal audit activities and suggestions on what additional measures should be taken.

### **3.5. External audit:**

- providing recommendations on the candidates to act as the external auditor of the National Committee and the draft agreement with the external auditor, including the amount of remuneration of the external auditor;
- evaluation and discussion with the external auditor of the Society of the proposed timing, scope of audit and approach, including coordination of work with the internal audit department; discussion with the Society's external auditor of the interim and final results of the audit;

- obtaining information from external auditors about the relationship with the National Committee, including non-audit professional services provided in the past, and discussing the information received with the external auditors to confirm their independence;
- reviewing, discussing and providing recommendations on the approval of acceptable types of non-audit services proposed by the Society's external auditor, as well as the amount of remuneration for such services;
- holding regular meetings with the Society's external auditor, including meetings without the participation of the Society's management;
- review of the results and quality of the implementation of corrective measures introduced by the management of the National Committee and heads of regional (local) organizations of the Society based on the recommendations provided by the external auditor of the Society.

### 3.6. Financial and public reporting:

- reviewing, discussing and providing recommendations on the results of the external audit of the Society's financial statements, as well as measures taken by the management of the National Committee aimed at implementing the recommendations of the external auditor;
- consideration of the reasonableness and acceptability of accounting policies, material assumptions and accounting estimates used in the preparation of the Society's financial statements;
- discussion with the management of the National Committee on the sufficiency and efficiency of automation of accounting and financial reporting procedures;
- review of the sufficiency and effectiveness of control procedures aimed at ensuring the completeness, accuracy and reliability of the Society's financial statements;
- consideration and discussion of other issues related to the preparation of the Society's financial statements;
- reviewing, discussing and providing recommendations on the identified significant problems of accounting and financial reporting.

**3.7. By the decision of the Management Board, the Presidium of the Management Board or the President of the Society or the management of the National Committee, the Committee may be involved in the consideration and discussion of other issues on which the Management Board, the Presidium of the Management Board, the President of the Society, the management of the National Committee require professional advice from the members of the Committee, as well as perform other tasks in accordance with the purpose for which the Committee was established.**

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## IV. RIGHTS AND DUTIES OF THE COMMITTEE

### 4.1. In order to ensure unimpeded and timely performance of tasks, the Committee has the right to:

- provide recommendations to the Management Board, the Presidium of the Management Board, the President of the Society, the management of the National Committee on issues within the competence of the Committee;
- monitor the implementation of decisions of the Management Board, the Presidium of the Management Board, the President of the Society and the management of the National Committee on issues that fall within the competence of the Committee in accordance with Section III of this Charter;
- receive documents, reports, explanations and other information from the Society's employees and heads of regional (local) organizations of the Society, on issues within the competence of the Committee, including confidential information (which is provided in compliance with the confidentiality requirements established by the Society);
- invite the President of the Society, members of the Management Board, the Presidium of the Management Board, managers and other employees of the National Committee, heads and employees of regional (local) organizations of the Society to the meetings of the Committee, as well as hold regular meetings with them by the President of the Society, members of the Presidium of the Management Board, heads of the National Committee and heads of regional (local) organizations of the Society;
- hold meetings with the external auditor and the head of the internal audit department of the National Committee of the Society without the participation of representatives of the Society's management and heads of regional (local) organizations of the Society;
- recommend conducting official investigations on issues within the competence of the Committee;
- employ other internal and external professional service providers to address issues within the competence of the Committee;
- invite other internal and external professional service providers to Committee meetings.

### 4.2. The Head and members of the Committee are obliged to:

- act for the benefit of the Society, to treat their work in the Committee conscientiously and responsibly;
- comply with the legislation of Ukraine, this Charter, other policies and procedures of the Society that apply to the members and the Head of the Committee;
- operate within the ethical principles defined in the Code of Conduct;
- allocate sufficient time to the activities of the Committee to ensure effective execution of the Committee's tasks, including proper preparation and participation in the meetings of the Committee;
- personally participate in the meetings of the Committee;
- not to use for their own benefit and not to transfer to other persons information about the activities of the Society and regional (local) organizations of the Society, which became known during the execution of the duties of the Head and members of the Committee (after appointment, the Committee members sign a corresponding non-disclosure agreement);
- prevent actions that may lead to a potential or actual conflict of interest.

## V. PROCEDURE OF THE COMMITTEE

- 5.1.** The Committee holds at least four meetings per year with a delay of maximum four months between meetings.
- 5.2.** If necessary or on the initiative of the President of the Society, the Management Board, the Presidium of the Management Board, the General Director of the National Committee, additional meetings of the Committee may be held.
- 5.3.** Meetings are convened by the Head of the Committee and are held in person (including by means of electronic communication).
- 5.4.** The Committee may invite officials of the National Committee, heads of regional (local) organizations of the Society, the head of the internal audit department, other employees of the Society, the external auditor of the Society, other internal and external providers of professional services and persons whose participation is appropriate.
- 5.5.** The date, duration and agenda of the meeting are determined by the Head of the Committee after consultations with other members of the Committee and officials of the National Committee who will be present at the meeting.
- 5.6.** Issues on the agenda of the Committee are included based on the proposals submitted by the Head and the members of the Committee, officials of the Society's management and heads of regional (local) organizations of the Society.
- 5.7.** To assist the activities of the Committee, the Secretary of the Committee is appointed by the decision of the General Director of the National Committee from among the employees of the administrative and economic department of the Department of Personnel Development and Administration of the National Committee.
- 5.8.** The Secretary of the Committee is responsible for organizing the meetings of the Committee, distributing the agenda and materials of the meeting, timely informing the members of the Committee and persons invited to participate in the meeting, and preparing the minutes of the meetings.
- 5.9.** The Secretary of the Committee informs the Head and the members of the Committee about the meeting by sending a notice and materials about the meeting by e-mail or other agreed way indicating the date, time, place, form of the meeting and agenda no later than 14 calendar days before the meeting.
- 5.10.** The Secretary of the Committee informs the invited persons about the date, time, place, form of the meeting and the agenda where relevant persons are invited, no later than 7 calendar days before the meeting.
- 5.11.** On behalf of the Head of the Committee, the Secretary sends requests for the provision of relevant reports, materials and other information, which will be considered at the meeting of the Committee, to persons responsible for their preparation.
- 5.12.** The participation of three members of the Committee, including the Head of the Committee, is sufficient to hold the meeting.
- 5.13.** The Chairman of the meeting shall be the Head of the Committee.

**5.14.** In the event that the Head of the Committee cannot take part in the meeting, the members of the Committee present at the meeting elect the chairman of the meeting of the Committee from among the members of the Committee present at the meeting.

**5.15. The Committee makes decisions by the majority vote of its members. The Head of the Committee or the Chairman of the meeting has the right of decisive vote in case of equality of votes.**

**5.16.** The meeting of the Committee is formalized by the minutes, which are signed by all members of the Committee present at the meeting.

**5.17.** Decisions made by the Committee are brought to the attention of the Management Board, the Presidium of the Management Board, the President, the management of the National Committee and the heads of regional (local) organizations of the Society, other interested persons of the parties in an agreed manner within three working days from the date of signing the minutes of the Committee meeting.

## **VI. REPORTING AND ASSESSMENT OF THE COMMITTEE'S ACTIVITIES**

**6.1.** The Committee reports to the Management Board about the results of its activities once a year by preparing and submitting a written report.

**6.2.** The Committee's report shall contain at least the following information:

- the number of meetings held and the participation of Committee members in them;
- key issues considered by the Committee during the meetings;
- a generalized assessment of the effectiveness of the Society's risk management and internal control processes;
- key observations/recommendations of the External Auditor and Internal Audit Department;
- a generalized assessment of the implementation of measures based on the recommendations of the external auditor and the internal audit department;
- summarized results of self-assessment or external assessment of the Committee.

**6.3.** The Committee annually conducts a self-assessment of the effectiveness of its activities by sending questionnaires to the members of the Committee, prepared in accordance with Annex 2 to these Charter.

**6.4.** An independent external assessment of the effectiveness of the Committee's work is carried out at least once every five years by a qualified independent expert or a group of experts who are not employees of the Society upon a decision of the Management Board.

## VII. CONFLICT OF INTEREST

- 7.1.** Members of the Committee are obliged to inform the Committee about all cases of real or potential conflict of interest that may call into question the independence and impartiality of the members of the Committee.
- 7.2.** The conflict of interest of such a person may be declared by any other member of the Committee or a participant of the meeting, who is directly related to the issue under consideration.
- 7.3.** A statement about the conflict of interest of the Committee's member is recorded in the minutes of the meeting.
- 7.4.** In case of occurrence of the circumstances specified in paragraphs 7.1, 7.2 of this section, a member of the Committee shall be removed by the decision of the Head of the Committee from discussion and decision-making on the relevant issue of the meeting's agenda.

## VIII. FINAL PROVISIONS

- 8.1.** The Committee annually considers the need to amend these Charter.
  - 8.2.** Amendments and additions to the Charter shall be approved by the Management Board of the Society.
  - 8.3.** In case of discrepancies between this Charter and the Charter of the Society the provisions of the Charter of the Society shall apply.
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