

## **AFRINIC**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE (the “Committee”)**

**Approved 06 October 2021 \_ Resolution 202110.634**

#### **1. PURPOSE**

The Committee shall operate as a standing committee of the AFRINIC’s Board of Directors.

The Committee shall assist the Board of Directors in discharging its oversight responsibilities for

- (1) the integrity of AFRINIC’s financial statements,
- (2) AFRINIC’s compliance with legal and regulatory requirements,
- (3) the Internal Auditor’s qualifications and independence,
- (4) the performance AFRINIC’s internal audit function and independent auditors, and
- (5) the quality and integrity of AFRINIC Operations.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, Management, Internal Auditor and External Auditors. The Committee will not perform any management functions or assume any management responsibilities. It will provide a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the Board of Directors. The Committee will mainly make recommendations to the Board of Directors for its approval or final decision.

To perform his or her role effectively, each member of the Committee will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee’s responsibilities and of AFRINIC’s business, operations and risks.

#### **2. AUTHORITY**

The Board of Directors authorises the Committee, within the scope of its responsibilities, to:

- 2.1 Perform activities within the scope of its terms of reference.
- 2.2 Engage independent counsel and other advisers as it deems necessary to carry out its duties after obtaining the approval of the Board of Directors.
- 2.3 Ensure the attendance of AFRINIC’s officers, External Auditor, or outside Legal Adviser, as necessary.
- 2.4 Ensure that procedures have been established for the receipt, retention and treatment of complaints received by AFRINIC regarding accounting, internal accounting controls and auditing matters.
- 2.5 Establish direct communication with the Internal Auditor in order to fulfil his or her role as described in section 4 of this terms of reference.
- 2.6 Recommend the appointment, compensation, and oversee the work of the External Auditor engaged by AFRINIC to conduct the annual audit. The External Auditor will report directly to the Committee.
- 2.7 Resolve any disagreements between management and the auditor regarding financial reporting.
- 2.8 Pre-approve all auditing and permitted non-audit services (e.g. additional services) performed by AFRINIC’s External Auditor.

2.9 Seek any information it requires through the Internal Auditor from employees all of whom are directed to cooperate with the Committee's requests or external parties.

### **3. COMPOSITION & PROCEDURE**

#### ***Membership***

3.1 The Chairman of the Committee shall be appointed by the members of the Committee and ratified by the Board..

3.2 The Committee shall comprise of at least three (3) members.

3.3 Persons who have served on this Committee until the conclusion of the Annual General Members' Meeting shall, subject to the term of their directorship, be eligible for reappointment.

3.4 The chairperson of the Board of Directors shall not be eligible to be appointed as chairperson of the Committee.

#### ***Proceedings of the Committee meetings***

3.5 Only members of the Committee are entitled to attend meetings. The Committee may invite such other persons (e.g., CEO, Head of Finance, Internal Auditor, External Audit engagement partner, etc.) to its meetings, as it deems necessary.

3.6 The Quorum is by majority.

3.7 The secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board of Directors. The other person nominated by the Board of Directors need not be an officer of or connected with AFRINIC.

3.8 The External Auditor may be invited to make presentations to the committee as appropriate.

3.9 Meetings shall be held not less than 2 times a year and should correspond with AFRINIC's financial reporting cycle.

3.10 Special meetings may be convened, as required.

3.11 Minutes shall be kept of all proceedings of the Committee and circulated to all members of the Committee and which shall be submitted to the next sitting of the Board of Directors in the form of the Committee's recommendations.

3.12 The secretary will convene a meeting on receipt of a request by the Board of Directors, the Chair of the Committee , or the External Auditor.

3.13 The notice of each meeting of the Committee confirming the venue, time and date and enclosing an agenda of items to be discussed shall, other than exceptional circumstances, be forwarded to each member of the Committee not less than three (3) working days prior to the date of the meeting.

3.14 As a minimum, the Chairperson of the Committee or another member of the Committee will attend the meeting of the Board of Directors at which the financial statements are approved.

3.15 Members of the Committee are expected to attend all meetings of the Committee.

3.16 The Committee should meet with AFRINIC's Legal Counsel as and when required.

3.17 The Committee will meet with the External Auditor, at least once a year, without the presence of a representative of Management.

3.18 A Committee meeting shall be held either:

(i) by a number of members constituting a quorum, being assembled together at the place, date, and time, fixed for the Committee meeting; or

(ii) by means of audio, or audio and visual, communication by which all members participating and constituting a quorum, can simultaneously hear each other throughout the Committee meeting.

3.21 It is advised that all the Committee's recommendations are consensus-based.

## **4. ROLES AND RESPONSIBILITIES**

*The Committee will have oversight on:*

### ***Internal Audit***

- 4.1 Recommend the appointment or termination of appointment of the Internal Auditor to the Board of Directors.
- 4.2 Review and approve the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 4.3 Ensure the Internal Auditor has direct access to the Chairperson of the Board of Directors as well as the Committee's Chairperson, and is accountable to the Committee.
- 4.4 Review and assess the annual internal audit work plan.
- 4.5 Receive a report on the results of the Internal Auditor's work on a periodic basis.
- 4.6 Review and monitor management's responsiveness to the Internal Auditor's findings and recommendations.
- 4.7 Meet with the Internal Auditor at least once a year without the presence of a representative of management.
- 4.8 Monitor and review the effectiveness of AFRINIC's internal audit function, in the context of AFRINIC's overall risk management system.
- 4.9 Safeguard AFRINIC's assets against unauthorised use or disposal, direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the AFRINIC's internal control, cases of employee fraud, misconduct or conflict of interest

### ***Financial Reporting***

#### **a) General**

- 4.10 Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- 4.11 Consider with the External Auditor any fraud, illegal acts, deficiencies in internal control or other similar issues.
- 4.12 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 4.13 Oversee the annual financial statements and preliminary announcements prior to their release.
- 4.14 Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practices are discussed with the External Auditor.
- 4.15 Ask management and the External Auditor about significant risks and exposures and the plans to minimise such risks.
- 4.16 Review any legal matters, which could significantly impact the financial statements.

#### **b) Annual Financial Statements**

- 4.17 Review the annual financial statements, prior to submission and approval by the Board of Directors, and determine whether they are complete and consistent with the Committee's terms of reference; assess whether the financial statements reflect appropriate accounting principles.

- 4.18 Consider any accounting treatments, significant unusual transactions, or accounting judgment that could be contentious.
- 4.19 Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty or environmental liability; and other commitments and contingencies.
- 4.20 Ensure that International Financial Reporting Standards (IFRS) or any other applicable internationally recognised accounting standards have been consistently applied.
- 4.21 Meet with management and the External Auditor to review the financial statements, the key accounting policies and judgments, and the results of the audit, focusing particularly on:
- a. The implementation of new systems
  - b. Any changes in accounting policies and practices
  - c. Major judgmental areas
  - d. Significant adjustments resulting from the audit
  - e. Unadjusted differences
  - f. Disagreements with management
  - g. The basis on which the company has been determined a going concern
  - h. Capital adequacy
  - i. Internal control
  - j. Compliance with International Financial Reporting Standards, and legal requirements (Compliance with the financial conditions of loan agreements)
- 4.22 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with the Financial Statements forming part of the Annual Report.

### ***External Audit***

- 4.19 Review the professional qualification of the External Auditor (including background and experience of the partner and auditing personnel).
- 4.20 Review, with the External Auditor, before the audit commences, the auditors' Letter of Engagement, the terms, nature and audit scope and approach, and ensure they are in line with any applicable Board's approval.
- 4.21 Negotiate procedures, subject to the approval of the Board of Directors, beyond minimum statutory and professional duties.
- 4.22 Agree the timing and nature of reports from the External Auditor.
- 4.23 Consider any problems identified in going concern or statement of internal control.
- 4.24 Make suggestions as to problem areas that the audit can address.
- 4.25 Discuss implications of new auditing standards.
- 4.26 Consider the independence of the External Auditor and any conflicts of interest, including reviewing the range of services provided in the context of all non-audit services bought by the company.
- 4.27 Review on an annual basis the performance of the External Auditor and make recommendations to the board of Directors for the appointment, reappointment or termination of the appointment of the External Auditor and on any questions of resignation of the External Auditor.
- 4.28 Ensure that the level of fee payable in respect of the audit services provided is appropriate and that an effective audit can be conducted for such a fee.
- 4.29 Discuss with the External Auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- 4.30 Meet separately with the External Auditor to discuss any matters that the Committee or auditors believe should be discussed privately. Ensure the auditors have access to the Chairperson of the Committee when required.

- 4.31 Discuss with the External Auditor the appropriateness of the accounting policies applied in AFRINIC's financial reports and whether they are considered as aggressive, balanced or conservative.
- 4.32 Review policies for the provision of non-audit services by the External Auditor and, where applicable, the framework for pre-approval of audit and non-audit services.
- 4.33 Review the significant matters reported by the External Auditors.
- 4.34 Ensure that significant findings and recommendations made by the External Auditor and management's proposed response are received, discussed on a timely basis and appropriately acted on.
- 4.35 Consider whether any significant ventures, investments or operations are not subject to external audit.
- 4.36 Ensure that the External Auditor are available at the AGMM.

### ***Compliance, Whistleblowing and Fraud***

- 4.37 Review the adequacy and security of AFRINIC'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.
- 4.38 Review AFRINIC's procedures for detecting fraud.
- 4.39 Review AFRINIC's systems and controls for the prevention of bribery and receive reports on non-compliance.
- 4.40 Review regular reports from the Internal Auditor and keep under review the adequacy and effectiveness of AFRINIC's compliance function.
- 4.41 Review significant transactions not directly related to AFRINIC's normal business as the Committee might deem appropriate.
- 4.42 Review significant cases of employee's conflicts of interest, misconduct or fraud, or any other unethical activity by employees or AFRINIC in general.

### ***Risk***

- 4.43 Review, together with AFRINIC's legal advisor, any legal matters that could have a significant impact on AFRINIC's business.
- 4.44 Review the risk philosophy, strategy and policies recommended by management. Risk in the widest sense includes market risk, credit risk, liquidity risk, operation risk and commercial risk amongst others.
- 4.45 Review the adequacy of insurance coverage.
- 4.46 Review risk identification and measurement methodologies
- 4.47 Monitor procedures to deal with and review the disclosure of information.
- 4.48 Have due regard for the Principles of Governance and Codes of Best Practice.

### ***Reporting Responsibilities***

- 4.49. Regularly update the Board of Directors about the Committee's activities and make appropriate recommendations.
- 4.50. Ensure the Board of Directors is aware of matters, which may significantly impact the financial condition or affairs of the business.
- 4.51. Prepare any reports required by law or requested by the Board of Directors, for example a report on the Committee's activities and duties to be included in the section on corporate governance in the annual report.
- 4.52. Attend the annual meeting to answer questions concerning matters falling within the ambit of the Committee.

### ***Other Responsibilities***

4.53. Perform other oversight functions as requested by the Board of Directors.

5. **REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE**

5.1 Review the Committee's terms of reference annually and discuss any required changes with the Board of Directors.

5.2 Ensure that the terms of reference are approved by the Board of Directors.

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**SIGNED**