

# **Audit Committee Charter**

## **1. Overall Purpose/objectives**

The audit committee is appointed by AFRINIC board of directors to assist the board in discharging its oversight responsibilities. The audit committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The audit committee will also review: the effectiveness of the company's internal financial control and risk management system; the effectiveness of the internal audit and control function; the independent audit process including recommending the appointment and assessing the performance of the external auditor; the company's process for monitoring compliance with laws and regulations affecting financial reporting, regulatory and Informational Systems & IT Governance.

In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and external auditors. The audit 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. The committee will mainly make recommendations to the board for its approval or final decision.

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

## **2. Authority**

The board authorises the audit committee, within the scope of its responsibilities, to:

- 2.1. Perform activities within the scope of its charter.
- 2.2. Engage independent counsel and other advisers as it deems necessary to carry out its duties after board approval
- 2.3. Ensure the attendance of company officers at meetings on invitation.
- 2.4. Ensure that procedures have been established for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls and auditing matters.
- 2.5. Be directly responsible for the recommendation to the board for appointment, compensation, retention and oversight of the work of the external auditor.

### **3. Organisation**

#### ***Membership***

- 3.1. The board of directors will nominate the audit committee members and approve the chairperson nominated by the committee.
- 3.2. The audit committee will comprise of at least 3 members and all members will be non-executive directors.
- 3.3. Each member should have skills and experience appropriate to the company's business.
- 3.4. All members should be independent of management.
- 3.5. Each member will be financially literate; at least one member should preferably have or be trained in accounting or related financial expertise.
- 3.6. The chairman of the board will not be eligible to be appointed as chairman of the audit committee.
- 3.7. Members will be appointed for a 2-year term of office within their term on AFRINIC Board. Member and will be eligible for reappointment for similar terms.
- 3.8. All decisions of the committee shall be by consensus or unanimous vote of all its members.
- 3.9. Quorum for any meeting will be at least 60% members.
- 3.10. The board will have the power at any time to remove any member from the audit committee and to fill any vacancy..
- 3.11. The secretary of the audit committee will be the company secretary, or such other person as nominated by the board. The other person nominated by the board need not be an officer of the company or connected with the company.

#### ***Attendance at meetings***

- 3.12. Only committee members are entitled to attend meetings. The audit committee may invite such other persons (e.g., CEO, Head of Finance, external audit engagement partner, etc.) to its meetings, as it deems necessary.
- 3.13. The external auditors should be invited to make presentations to the audit committee as appropriate.
- 3.14. Meetings shall be held not less than 2 times a year and should correspond with the company's financial reporting cycle.
- 3.15. Special meetings may be convened as required. The secretary will convene a meeting on receipt of a request by the board, the Chair of the audit committee, or the external auditors.
- 3.16. The proceedings of all meetings will be minuted and available for consultation by the Board.
- 3.17. The secretary will circulate the agenda and supporting documentation to the audit committee members a reasonable period in advance of each meeting.
- 3.18. The secretary of the committee will circulate the minutes of meetings to members of the board, members of the committee, and the external auditors where appropriate.
- 3.19. As a minimum, the Chairperson of the committee or another member of the committee will attend the board meeting at which the financial statements are approved.
- 3.20. Members of the committee are expected to attend all meeting of the committee.
- 3.21. The committee should meet with the in the company Legal Counsel, if any, as and when required.
- 3.22. The audit committee will meet with the external auditors, at least once a year, without management present.

### **4. Roles and Responsibilities**

The audit committee will:

### ***Internal Control***

- 4.1. Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal control and management of risk and ensuring that, overall, all employees have an understanding of their roles and responsibilities.
- 4.2. Understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 4.3. Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- 4.4. Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether management has implemented recommendations made by the external auditors.
- 4.5. Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information and key information systems and services in the event of a systems breakdown or to protect against computer fraud or misuse.

### ***Financial Reporting***

#### ***a) General***

- 4.6. Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- 4.7. Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- 4.8. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 4.9. Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and preliminary announcements prior to their release.
- 4.10. Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditors.
- 4.11. Ask management and the external auditors about significant risks and exposures and the plans to minimise such risks.
- 4.12. Review any legal matters, which could significantly impact the financial statements.

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

- 4.13. Review the annual financial statements, prior to submission and approval by the board, and determine whether they are complete and consistent with audit Term of Reference ; assess whether the financial statements reflect appropriate accounting principles.
- 4.14. Consider any accounting treatments, significant unusual transactions, or accounting judgment that could be contentious.
- 4.15. Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty or environmental liability; and other commitments and contingencies.
- 4.16. Ensure that International Financial Reporting Standards have been consistently applied.
- 4.17. Meet with management and the external auditors 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. Tax and litigation matters involving uncertainty
- c. Any changes in accounting policies and practices
- d. Major judgmental areas
- e. Significant adjustments resulting from the audit
- f. Unadjusted differences
- g. Disagreements with management
- h. The basis on which the company has been determined a going concern
- i. Capital adequacy
- j. Internal control
- k. Compliance with International Financial Reporting Standards, Stock Exchange and legal requirements (Compliance with the financial conditions of loan agreements)

4.18 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.

***c) Preliminary Announcements, Interim Financial Statements and Analysts' Briefings***

4.19. Review management's process for ensuring that information contained in analysts' briefings and press announcements is consistent with published financial information, balanced and transparent (particularly regarding IFRS and non-IFRS data).

4.20. Review and assess, prior to submission and approval by the board, the fairness of the preliminary and interim statements and disclosures, obtain explanations from management and internal and external auditors on whether:

- a.** Actual financial results for the interim period varied significantly from budgeted or projected results
- b.** Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the company's operations and financing practices
- c.** International Financial Reporting Standards have been consistently applied
- d.** There are any actual or proposed changes in accounting or financial reporting practices
- e.** There are any significant or unusual events or transactions
- f.** The company's financial and operating controls are functioning effectively
- g.** The preliminary announcements and interim financial statements contain adequate and appropriate disclosures

***External Audit***

4.21. Review the professional qualification of the external auditors (including background and experience of the partner and auditing personnel).

4.22. Review, with the external auditors, before the audit commences the auditors' letter of engagement, the terms, nature and audit scope and approach and ensure they are inline with the term of Reference as approved by the Board.

4.23. Negotiate procedures, subject to Board agreement, beyond minimum statutory and professional duties.

- 4.24. Agree the timing and nature of reports from the external auditors.
- 4.25. Consider any problems identified in going concern or statement of internal control.
- 4.26. Make suggestions as to problem areas that the audit can address.
- 4.27. Discuss implications of new auditing standards.
- 4.28. Consider the independence of the external auditors and any conflicts of interest, including reviewing the range of services provided in the context of all non-audit services bought by the company.
- 4.29. Review on an annual basis the performance of the external auditors and make recommendations to the board for the appointment, reappointment or termination of the appointment of the external auditors and on any questions of resignation of the external auditors.
- 4.30. 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.
- 4.31. Discuss with the external auditors any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- 4.32. Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to
- 4.33. the chairperson of the audit committee when required.
- 4.34. Discuss with the external auditors the appropriateness of the accounting policies applied in the company's financial reports and whether they are considered as aggressive, balanced or conservative.
- 4.35. Review policies for the provision of non-audit services by the external auditors and, where applicable, the framework for pre-approval of audit and non-audit services.
- 4.36. Review the significant matters reported by the external auditors.
- 4.37. Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed on a timely basis and appropriately acted on.
- 4.38. Consider whether any significant ventures, investments or operations are not subject to external audit.

#### ***Compliance with Laws and Regulations***

- 4.39. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- 4.40. Obtain regular updates from management and the company's Legal Counsel regarding compliance matters that may have a material impact on the company's financial statements or compliance policies.
- 4.41. Be satisfied that all regulatory compliance matters, related to the business of the company, have been considered in the preparation of the financial statements.
- 4.42. Review the findings of any examinations by regulatory agencies.

#### ***Reporting Responsibilities***

- 4.43. Regularly update the board about committee activities and make appropriate recommendations.
- 4.44. Ensure the board is aware of matters, which may significantly impact the financial condition or affairs of the business.
- 4.45. Prepare any reports required by law or listing rules or requested by the board, for example a report on the audit committee's activities and duties to be included in the section on corporate governance in the annual report.
- 4.46. Attend the annual meeting to answer questions concerning matters falling within the ambit of the committee.

### ***Other Responsibilities***

- 4.47. Perform other oversight functions as requested by the board.

### ***Evaluating performance***

- 4.48. Evaluate the committee's own performance, both of individual members and collectively, on an annual basis.
- 4.49. Assess the achievement of the duties specified in the charter and report the findings to the board.

### ***Review of the committee charter***

- 4.50. Review the audit committee charter annually and discuss any required changes with the board.
- 4.51. Ensure that the charter is approved and re-approved by the board.

### **Sources**

- Code of Corporate Governance for Mauritius 2005
- King Report III on Corporate Governance for South Africa 2009
- PricewaterhouseCoopers/Ernst & Young/Deloitte Publications
- UK Smith Report on Audit Committees 2002
- SOX Act (Sarbanes Oxley Act)
- COSO (Committee of Sponsoring Organizations of the Treadway Commission)
- ACCA (Association of Chartered and Certified Accountants)
- AICPA (American Institute of Certified Public Accountants)
- IIA (Institute of Internal Auditors)
- ICSA (Institute of Chartered Secretaries and Administrators)