



Access Financial Services Limited

TERMS OF REFERENCE FOR THE AUDIT & RISK COMMITTEE OF THE BOARD OF DIRECTORS

Background

Access Financial Services Limited (hereinafter called “the Company”) was established in 2000 under the Companies Act of Jamaica as a provider of personal and business loans to Jamaica’s Microfinance Sector. The Company was listed on the Junior Market of the Jamaica Stock Exchange (JSE) in 2009 and as a part of that listing the Company is required to abide by the rules of the JSE. Pursuant to the JSE Rule Book each listed Company is required to establish an Audit Committee. The Board of Access Financial Services Limited (AFS) has therefore established an Audit & Risk Management Committee (hereinafter called “the Committee”) as a standing committee of the Board. The Committee exercises an independent review function to assist the Board in fulfilling its financial and risk management oversight responsibilities.

The Audit & Risk Management Committee (ARMC) acts to ensure that the Company adheres to its governance mandate in the specific areas of accounting policies, internal controls, financial compliance systems and procedures, risk management as well as financial reporting practices.

The Audit & Risk Management Committee provides a critical service to the Board by bringing to their attention pertinent information raised by Internal and External Audits.

A. PURPOSE

The Audit & Risk Management Committee (the “Committee”) is appointed to assist the Board in fulfilling its oversight responsibilities with respect to matters concerning:

- a. the systems and structures of internal control and finance;
- b. risk management;
- c. the internal audit function;
- d. the external audit process, and
- e. compliance with financial regulatory and statutory reporting requirements.

B. MEMBERSHIP

1. The ARMC shall be comprised of a **maximum of four (4) members** with at least three (3) members being independent non-executive directors as defined in AFS Board Charter.
2. The Board through the Chairman shall appoint the Chairman of the Committee.

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3. Members will be appointed by the Board and the term of office of members of the Audit & Risk Management Committee shall be a maximum of five (5) years.
4. The majority of the members of the Committee should be financially literate and at least one member of the Committee should be a qualified accountant.
5. The Committee should not include the Chairman of the Board.
6. The Company Secretary will appoint an appropriate person to be the Committee's Secretary. In the absence of the Committee Secretary, the Chair of the Committee may make alternate arrangements through the Group Chief Executive Officer (CEO) for a member of the Company's staff to act as a Recording Secretary to the Committee.
7. The **Internal Auditors** and the **Senior Audit Officer** shall **be invited** to all Committee meetings.
8. The Committee has the power to require any member of staff, including the CEO to attend meetings.

C. MEETINGS, QUORUM AND PROCEDURES

1. The Committee will determine its own rules of procedure, provided they are consistent with the regulations that govern AFS and the organization, generally.
2. The Committee will meet at **least quarterly** and more frequently as circumstances require. Meetings should be held at a time to allow for presentation of the quarterly financial report to the Board.
3. Failure to attend at least 3 consecutive meetings without acceptable reasons to the Committee Chairman, will give rise to a consideration of continued membership.
4. The Chair of the Committee or a majority of the members of the Audit Committee may call a special meeting of the Committee.
5. **The Committee's quorum will be fifty percent (50%) membership plus 1.** This must include at least two (2) independent non-executive directors.
6. The Committee may form sub-committees for any purpose that the Committee deems appropriate and may delegate to such sub-committees such power and authority as the Committee deems appropriate. No sub-Committee should consist of fewer than two members.
7. Meeting agendas and documents will be prepared for each meeting and provided within a **minimum of 3 working days in advance** to the Committee members along with appropriate briefing materials.

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8. Senior Management or other persons, whose advice and counsel are sought by the Committee, may be invited to meetings of the Committee to provide such pertinent information as the Committee requests.
9. The Committee shall keep written minutes of its meeting, which minutes shall be maintained with the records of the Board.
10. An annual report, which speaks to the activities of the AFS's Audit & Risk Management Committee, will be included in the Corporate Governance section of AFS Annual Report

D. SPECIFIC RESPONSIBILITIES AND DUTIES

The Audit Committee will have the following duties and responsibilities:

1. Advise the Board on:
 - a) the extent to which the financial objectives of the Company are being achieved;
 - b) the adequacy, efficiency and effectiveness of the accounting, internal control structure and systems of the Company; and
 - c) the independence of the auditors auditing the Company.
- d) Review reports and recommendations of management Asset & Liability Committee
2. Review and advise the Board on the Audited Financial Statements that are to be included in the Annual Report of the Company;
3. Review and advise the board on the quarterly financial statements;
4. Review and monitor the risk profile and limits of the company;
5. Ensure that management has in place strategies to mitigate risk that the business may face;
6. Oversee information technology risk including third party and cyber security risk;
7. Consider the adequacy of risk management internal controls;
8. Monitor trends of liquidity and interest rate risk being implemented ensuring that adequate corrective action is taken when required;
9. Oversee any internal audit of the Company;
10. Review and advise the Board on the annual auditor's report;
11. Utilize budgetary provisions made by the Company to enable the Committee to engage specialist and secure training to assist it to adequately fulfil its mandate;
12. Review the Company's financial and operational policies, rules and regulations, procedures and any revisions to them to ensure that the company complies with JSE requirements;

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13. In the case of the Company undergoing any special audit or examination, review and advise the Board with respect to the report of that audit or examination; and
14. Perform such other functions as assigned to by the Board from time to time.

D.1 Internal Controls and Financial Reporting

The Committee shall:

1. Consider the adequacy of internal controls as well as the accuracy of financial reporting through reviewing (inter alia) the:
 - a) plans and results of internal audit activities;
 - b) plans and results of external audit activities;
 - c) adequacy of managements' response to issues identified by all audit activities; and
 - d) submission of all regulatory and statutory reports.

D.2 External Audit

The Committee shall:

1. Review the audit engagement letter, audit plans, timing and scope of the external audit, identifying special areas of concern to the external auditors;
2. Review minutes of any oral presentation or written reports made by the external auditors;
3. Review the contents of the Management Representation Letter to the external auditors;
4. Review the annual audit report and Audited Financial Statements with the external auditors, prior to their recommendation to the Board;
5. Review all recommendations of the external auditors and, where appropriate, recommend or ascertain that necessary corrective actions have been taken;
6. Review with management, the external auditors and Legal Officer any significant litigation, claim, or contingency which could have a material effect on the financial position of the Board;
7. Review external auditor's performance within the framework of established policies and review annual audit fees in the context of the plan and scope of the audit and make recommendations to the Board.
8. Recommend to the Board the appointment of external auditors as required by law.
9. Ensure there is mandatory rotation of the engagement partner of the external auditors.

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D.3 Internal Audit

The Committee shall:

1. Annually, review and approve changes, if any, to the internal audit charter;
2. Review and approve the annual audit plan and all major changes to the plan;
3. Review the Internal Audits' activity and performance relative to its plan;
4. Review with the Internal Auditor the internal audit budget.
5. Ensure there are no unjustified restrictions or limitations on the internal audit function;
6. Periodically, meet with the Internal Auditor, without management, to discuss any matters that the Committee or the Internal Auditor believes should be discussed privately;
7. Initiate special internal audits, if required;
8. Review the reports prepared by the Internal Auditor and the response or determination of management with respect to any findings or recommendations;
9. Evaluate the performance of the Internal Auditor; and
10. Approve the selection and termination of the Internal Auditor

E. SELF-EVALUATION

- a) The Committee shall periodically conduct a self-evaluation of its performance.
- b) In conducting this review, the Committee will also evaluate whether this term of reference appropriately addresses the matters including but not limited to attendance and participation, or should be within its scope.
- c) In conducting this review, the Committee will address all matters that it considers relevant to its performance, including at least the following:
 - i. The adequacy, appropriateness and quality of its information and recommendations to the Board;
 - ii. The manner in which they were discussed or debated;
 - iii. Whether the number and length of meetings are adequate for the Committee to complete its work in a thorough and thoughtful manner and
 - iv. Understanding of the business, its objectives and services.

F. COMMITTEE SECRETARY

The Secretary for the Committee shall be appointed by the Company Secretary who shall attend all meetings and shall take the Minutes of the meetings.

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The Committee Secretary is required to:

- a) circulate the notices and minutes of the Committee meetings;
- b) distribute to Committee members, **3 working days prior to the meetings** of the Committee, all agenda and documents of meetings, reports and/or related documents which are prepared for consideration by the Committee;
- c) keep detailed records of the Committee's meetings; and
- d) have such other duties as may be assigned by the Committee.

G. REPORTING RESPONSIBILITIES

The Committee shall report to the Board of Directors within seven (7) days after each meeting of the Committee. A written report shall be submitted to the Board through the Chairman of the Committee, at the following Board Meeting

H. REMUNERATION

The Company shall make provision for remuneration of Committee Members and the amount is determined by the board of directors based on the recommendation of the Human Resource & Compensation Committee which shall be in line with the Company's overall board compensation policy.

I. CONFLICT OF INTEREST

Where there is a conflict of interest, the Committee Member so affected shall declare his or her interest to the Chairman and the details of the conflict are to be recorded by the Committee Secretary.

The Committee Member who has a conflict of interest shall not participate in the deliberations on the particular matter and will excuse himself from the discussions in respect of those interests during the period of discussion of the matter.

J. CONFIDENTIALITY OF COMMITTEE INFORMATION

All information received by the Committee is confidential and is the property of Access Financial Services Limited and cannot be disclosed to parties outside of the organisation without prior approval of the Board.

K. AUTHORITY

The Committee has the authority to conduct investigations into any matters within its scope of responsibility and those matters referred by other Board Committees. In so doing it is empowered to:

- a) Investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of AFS;

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- b) Seek any information it requires from any officer or employee of AFS and such officers or employees shall be instructed by the Board to respond to such enquiries;
- c) Meet with officers/employee of AFS for the purpose of furthering its investigations; and
- d) Provided that the approval of the Board is first obtained, retain outside counsel or other experts to advise the Committee or assist in the conduct of an investigation

L. AUTHORITY TO ENGAGE ADVISORS

The Committee, with the prior approval by the Board, may engage outside advisors as it deems appropriate and necessary to assist it in the effective discharge of its functions.

M. ACCESS OF INTERNAL AUDITOR

The Internal and External Auditors shall have direct access to the Audit & Risk Management Committee at any time. Either auditor shall have the right to contact the Chairman of the Audit & Risk Management Committee to request a special meeting.

The Audit & Risk Management Committee is authorized to review internally and externally generated complaints and concerns regarding internal operations, controls, general policy and procedure which have been brought to the attention of management.

N. RESPONSIBILITY OF MANAGEMENT

The management of the Company is directly responsible for the Company’s accounting, financial operational and administrative processes, including the organization and maintenance of appropriate internal controls designed to safeguard assets, and establishing the reliability of accounting, financial, operational and administrative information and ensuring adherence to approved policies.

O. REVIEW AND ASSESSMENT OF TERMS OF REFERENCE

The Board will conduct a review and assessment of the Committee’s Terms of Reference at least every 2 years in such manner as the Board deems fit.

DOCUMENT CONTROL

<i>Version</i>	<i>Date</i>	<i>Date Approved by Board of Directors</i>	<i>Area Changes made</i>
1.0	July 2020	July 30, 2020	