



**Access Financial Services Limited**  
**TERMS OF REFERENCE**  
**AUDIT & RISK MANAGEMENT COMMITTEE**

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**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:

1. the systems and structures of internal control and finance
2. risk management
3. the internal audit function
4. the external audit process, and
5. 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.
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 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.
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5. The Chair of the Committee or a majority of the members of the Audit Committee may call a special meeting of the Committee.
6. **The Committee's quorum will be fifty percent (50%) membership plus 1.** This must include at least two (2) independent non-executive directors.
7. 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.

8. 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.
9. 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.
10. The Committee shall keep written minutes of its meeting, which minutes shall be maintained with the records of the Board.
11. 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
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.

### **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

