

# Terms of Reference and Charter for the Audit and Financial Risk Committee

## 1. Purpose

- The purpose of the Audit and Financial Risk Committee is to assist the Board in the fulfilment of its corporate governance duties in relation to financial risk management, internal control and financial reporting.

## 2. Duties

- 2.1 The duties of the Audit and Financial Risk Committee are to:
  - review KEFI's risk assessment process to ensure effectiveness and consistency;
  - monitor action taken by management in response to risk;
  - examine and review all systems and methods of internal and financial control;
  - review reports on any material breakdown of controls and the adequacy of proposed action;
  - ensure that KEFI is compliant with all aspects of the law, relevant regulations and good practice;
  - oversee and evaluate the performance of the external auditors and advise the Board on any changes that ought to be made in their terms of engagement;
  - manage the process for the tendering of the external audit and recommend to the Board the appointment and re-appointment of the external auditors and the level of their fees;
  - meet with the external auditors at the planning stage and once after the audit at the reporting stage.
  - review and approve the annual audit plan and ensure consistency with the scope of the audit engagement;
  - review the findings of the audit with the external auditors including the management letter;
  - the company does not currently have an internal audit function. The committee will recommend to the board of directors if an internal audit function be set up;
  - monitor the integrity of the Directors Report ,the annual financial statements and the business/operating review before recommending them to the Board;
  - review and challenge, as appropriate, KEFI's accounting policies, the methods used to account for significant or unusual transactions and the clarity of disclosure in the annual financial statements;
  - review and approve the statements to be included in the annual report and accounts relating to governance, internal control, and risk management;
  - review KEFI's insurance arrangements, including directors' and officers' liability insurance, to ensure that appropriate cover is in place;

- undertake authorised investigations on behalf of the Board and advise on the findings and recommendations.

## **2. *Membership***

Membership of the committee shall be as follows:

- current Board member who shall serve as Chairman
- further current Board members Up to 2 voting members drawn from the board
- The Company Secretary shall act as secretary to the committee.
- The Chief Executive, the Head of Finance, the external auditors, and other staff members as appropriate, should be invited to attend meetings.
- Appointments to the committee shall be made by the Board and shall be for a period of up to five years, which may be extended for further periods of up to four years provided the member still meets the criteria for membership of the committee.

## **3. *Quorum***

- The quorum necessary for the transaction of business shall be two members one of whom must be a current Board member.

## **4. *Frequency of meetings***

- The committee shall meet at least three times a year and otherwise as required.

## **5. *Notice of meetings***

- Meetings of the committee shall be called by the secretary of the committee at the request of the committee chairman.
- Unless otherwise agreed, notice of each meeting confirming venue, time and date, together with an agenda of items to be discussed shall be forwarded to each member of the committee and to any other person required to attend no later than 5 working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

## **6. *Minutes of meetings***

- The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.

7.2 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so.

## **7. *Delegated Authority***

- The Audit and Risk Committee is a sub-committee of the Board and shall have delegated authority to:
  - approve the external audit terms of engagement and the scope of their annual plan;
  - implement the external audit tender and selection process;