

# BOARD AUDIT COMMITTEE CHARTER

Validated by the Board of Directors on the 26<sup>th</sup> Of August 2016

## LEGAL REQUIREMENT

The Capital Market Act (cap. 485A) and regulations requires that the “Company shall have an effective and properly constituted Audit Committee” and that “the Board shall establish an Audit Committee with written terms of reference”

## PURPOSE OF THE AUDIT COMMITTEE

**The purpose of the Board Audit Committee is to assist the Board of Directors in fulfilling its Corporate Governance and oversight responsibilities for the:**

- financial reporting process
- system of internal control
- audit function and process and
- company's process for monitoring compliance with laws, regulations and the code of conduct

## COMPOSITION AND QUALIFICATION

**The Capital Markets Act (Cap. 485A) and the Institute of Internal Auditors (IIA) indicate that the Audit Committee:**

- should have at least 3 Independent and Non-Executive Directors and no more than 6 members
- the Board will appoint the Committee Members and the Committee Chair
- the Chairperson shall be an Independent and Non-Executive Director
- at least 1 of the Committee Members shall hold a professional qualification in Audit or Accounting (financial expert) and be in good standing with his/her respective professional body
- The term of office of a member of the Committee shall not exceed his or her term of office as a Director
- The Board of Directors can, at any moment, revoke a member's membership to the Committee.
- have written terms of reference

## AUTHORITY OF THE BOARD AUDIT COMMITTEE

**The audit committee has authority to conduct or authorize investigations into any matters within its powers. It is empowered to:**

- appoint, compensate and oversee the work of any registered public accounting firm employed by the organization
- Discuss issues arising from the interim and final audits and any matter the external auditor may wish to discuss ( in the absence of management where necessary)
- resolve any disagreements between management and the auditor regarding financial reporting while preserving external auditor's independence
- pre-approve all auditing and non-audit services
- retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation
- seek any information it requires from employees
- meet with company officers, external auditors or outside counsel, as necessary
- Consider any other issues as defined by the Board

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### ATTRIBUTES OF COMMITTEE MEMBERS

The important attributes of committee members shall include:

- broad business knowledge relevant to the company's business
- keen awareness of the interests of the investing public and familiarity with basic accounting principles and
- objectivity in carrying out their mandate without any conflict of interest

### MEETINGS OF THE AUDIT COMMITTEE

- Meet at least 4 times a year, with authority to convene additional meetings, as circumstances required
- the Committee shall meet at the convocation of its Chairman or the Chairman of the Board of Directors (upon reasonable notice or without delay in case of urgency); in addition, each member may propose a meeting if he/she sees the need to discuss particular matters
- Convening of the Committee may be done by any means, including verbally
- The Committee shall designate its secretariat
- All committee members are expected to attend each meeting, in person or via tele- or video-conference
- A quorum for the meetings of the committee shall be at least three members
- The CEO and the FD may attend meetings of the committee upon invitation
- At least once a year, the Committee shall meet with the external auditors without executive Board members being present
- The Committee should meet regularly, with adequate notice and should record its conclusions
- Materials related to the matters on the Meeting's agenda are to be provided to the members of the Committee sufficiently in advance of the meeting and, if appropriate, at least [two] days prior to the meeting taking place
- The Committee's recommendations, conclusions and comments are decided by the majority of these Committee members attending the meetings, each member holding one vote. In the event that votes are equally shared, the Chairman will cast the deciding vote
- The Chairman of the Committee or the member designated by the Committee shall, on regular basis, submit a summary describing the performance of the Committee's duties and its recommendations, conclusions and comments to the Board of Directors
- The Board should disclose, details of the activities of Audit Committee, the number of Audit Committee meetings held in a year and details of attendance of each member
- The committee must inform the Board as soon as possible whenever it encounters a problem

### DUTIES OF AUDIT COMMITTEES

**Audit Committees shall have adequate resources and authority to discharge their responsibilities. The members of the audit shall:**

- be informed, vigilant and effective overseers of the financial reporting process and the company's Internal controls
- review and make recommendations on management programmes established to monitor compliance with the Code of Ethics and Conduct
- consider the appointment of the External Auditor, their audit fee, resignation or dismissal

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- discuss with the external auditor before audit commences, the nature and scope of the audit and ensure co-ordination where there is more than one audit firm
- review management's evaluation of factors related to the independence of the company's external auditor
- in liaison with management, assist the external auditor in preserving Independence
- review any communication between external auditor(s) and management

### COMPOSITION

**The Composition of the Board Audit Committee as validated by the Board of Directors is as follows:**

1. Dr Joe Mucchekehu - Chairman
2. Ms Margaret Shava
3. Mr. Joseph Karago
4. Mr. Jerome Burban

Secretary

Mr. Charles Wambugu