

AFRICAN CAPACITY BUILDING FOUNDATION

AUDIT AND RISK COMMITTEE CHARTER

The Executive Board of the African Capacity Building Foundation [“ACBF” or “Foundation”] hereby establishes an Audit and Risk Committee to assist the Executive Board in fulfilling its governance and oversight responsibilities. The Audit and Risk Committee (Committee) is a committee of the Executive Board. This charter sets out the responsibilities delegated by the Executive Board to the Committee and the Committee’s objectives, authority, composition and operation.

OBJECTIVES AND AUTHORITY

- The principal purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the risk management and internal control systems, accounting policies and practices, internal and external audit functions and financial reporting.
- The Committee is authorized to investigate any matter within the scope of its responsibilities and make appropriate recommendations to the Executive Board.
- The Committee has unrestricted access to senior management and the Foundation’s records as required.
- The Committee is authorized to meet with the external or internal auditors, without any other member of management being present, as the Committee deems appropriate.
- The Committee is authorized to obtain any independent legal or other professional advice that it considers necessary to execute its functions.

MEMBER QUALIFICATIONS

1. A clear understanding of the role of the ACBF and its services.
2. Financial literacy/expertise (at a minimum, the ability to read and understand financial statements).
3. Ability to see the big picture and understand risks.
4. At least one member of the Committee shall be a financial expert and knowledgeable in audit issues
5. A commitment to safeguard the organization and its assets.
6. A commitment to ensure that the organization will report fairly, accurately, and regularly on its activities and condition.
7. Willingness to ask tough, probing questions of management, the internal audit department and the external auditors regarding these matters and to be persistent in getting adequate answers.
8. Impeccable ethics and integrity.

INDEPENDENCE

Members of the Committee shall be persons who have no existing family or other personal ties to management of the organization and are not employees of Foundation or its funded projects. No member shall accept directly or indirectly a paid job from the Foundation during their tenure as a member the committee. The following persons are not deemed to be independent and therefore may not serve on the Foundation's Audit and Risk committee:

- Current employees of the Foundation or its funded projects;
- Individuals who have been employees of the Foundation or its funded projects in any of the prior three financial years;
- Immediate family members of a person currently employed by the Foundation or its funded projects or who has been employed in such a capacity within the past three financial years;
- Any person employed by a present or former external auditor of the Foundation (until five years following the end of the auditing relationship)

DUTIES AND RESPONSIBILITIES

EXTERNAL AUDIT

1. Recommending to the Executive Board the appointment of External Auditors on a yearly basis to conduct an independent audit of the Foundation's financial statements.
2. Reviewing and approving the audit scope and fees.
3. Reviewing and approving any proposed involvement of External Auditors in activities other than the annual audit.
4. Ensuring a direct line of communications with the organization's external auditor.
5. Reviewing and addressing the management letter and auditor's comments.
6. Reviewing any serious difficulties or disputes with management encountered during the course of the audits.
7. Reviewing other matters related to the conduct of the audits that are to be communicated to the Committee under generally accepted auditing standards.
8. Discussing and resolving any issues arising from audit reports, including any matters the auditors may wish to discuss in the absence of management to seek assurance that no Management restrictions are being placed upon external auditors.
9. Reviewing published documents containing the organization's financial statements and considering whether the information contained in these documents is consistent with the information contained in the financial statements.
10. Making recommendations to the Executive Board on the performance and independence of the external auditor based on the committee's review activities.
11. Obtaining and critically evaluating a report from the external auditor at least annually regarding (a) the external auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review of the firm.

INTERNAL AUDIT

1. Engaging in an open, transparent relationship with the Head of the Internal audit function
2. Reviewing and recommending for Executive Board's approval of the internal audit charter
3. Reviewing and approving of internal audit plans and quality control procedures

4. Developing a clear understanding of the strengths and weaknesses of the organization's internal control and risk management systems
5. Ensuring Internal audit activity is sufficiently resourced with competent, objective internal audit professionals to carry out the internal audit plan that has been reviewed and approved by the committee.
6. Ensuring Internal audit activity is empowered to be independent by its appropriate reporting relationships to executive management and the audit committee
7. Regularly reviewing and communicating with the Head of Internal Audit about his/her performance and improvement, and of the Internal Audit function
8. Addressing with the Head of Internal Audit all issues related to internal audit independence and objectivity
9. Ensuring Internal audit reports are actionable, and audit recommendations and/or other improvements are satisfactorily implemented by management
10. Ensuring that internal audit activity is quality oriented, and has in place a Quality Assurance and Improvement Program
11. Meeting periodically with the Head of Internal Audit without the presence of management
12. Reviewing the effectiveness of the internal audit function to ensure that it operates in accordance with applicable and appropriate professional standards, including those promulgated by the Institute of Internal Auditors

RISK MANAGEMENT

1. Recommending to the Executive Board the adoption of risk management policy
2. Reviewing the effectiveness of the Enterprise Risk Management system within the Foundation and being assured that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate policies;
3. Evaluating the adequacy and effectiveness of administrative, operating and accounting controls used by the Foundation;
4. Reviewing actual and potential material risk exposures;
5. Monitoring the implementation of business unit and organizational risk management plans;
6. Considering and reviewing, with management and auditors, the adequacy of the organization's risk management methodology and internal controls, including computerized information system controls and security.
7. Reviewing the internal audit's methods of risk assessments, the results of those assessments and other appropriate matters
8. Reviewing the annual Executive Secretary's sign off letter on identification and effective management of material business risks through an annual certification statement on the internal control framework.

OTHERS

1. Causing to be made an investigation into any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate;
2. Providing oversight of the organization's conflict of interest policy and keeping the Executive Board apprised of any changes required in the policy or its implementation.
3. Monitoring the effectiveness of the Foundation's policies and practices that relate to compliance with laws, regulations and accounting standards; and consider the impact of changes in accounting standards,

4. Reviewing disclosure in the Annual Report of information regarding the functions and responsibilities of the Committee, including its views on the independence of the external auditor;
5. Performing other functions referred to the Committee by the Executive Board.
6. The Chair of the Committee shall have a separate direct reporting relationship with the Head of Internal Audit and Management. This will involve regular one-on-one meetings as required to allow any sensitive issues to be discussed and to seek assurance that no restrictions are being placed upon either party.

MEETINGS

The Committee shall meet at least three times annually, but more often if desired or necessary, in order to discharge its responsibilities. A simple majority of the Committee shall constitute a quorum for the transaction of business. Unless otherwise authorized by the Executive Board, the Committee shall present its recommendations to the Executive Board for action, and with the exception of approval of the audit plans of the external auditor and internal audit plans and quality control procedures. Members may attend the meetings either in person or participate through telephonic/electronic medium; except that each member would have to attend at least half the total annual meetings in person. Other exceptions may be made by the Committee on a case-to-case basis as deemed appropriate or advisable in its judgment.

VOTING

The Chair should aim for consensus on all decisions. If consensus cannot be reached, minority positions shall be noted and reported to the Executive Board.

APPOINTMENT TERM

Members of the Audit Committee shall be appointed by the Executive Board and serve for a two-year term renewable once. To ensure continuity of services, the tenure of office of the chair and one other member selected by the Executive Board shall be three years.

PERFORMANCE REVIEW

The Committee will conduct an annual self-assessment of its performance and effectiveness by reference to this charter and current best practice. This review process will include a review of the terms of this Charter. The Committee shall refer any recommended changes to this Charter for decision by the Executive Board.

REPORTING

The Committee will report on its Meetings to the Executive Board. In addition, the Committee will prepare an annual report to the Executive Board. The Report will address all significant matters relevant to the Committee's objectives, duties and responsibilities. The Chair of the Committee or his/her nominee will report to the full Board on the proceedings of the Committee and make appropriate recommendations to the Executive Board for decision.

LIMITATION OF COMMITTEE'S ROLE

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the committee to plan or conduct audits or to determine that the Foundation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditor.

APPROVED 49TH EXECUTIVE BOARD MEETING, HARARE, ZIMBABWE