58th Regular Meeting of the Executive Board
58ème Session Ordinaire du Conseil d’administration

Celebrating 25 years of Excellence in Capacity Development
Célébrons 25 ans d’excellence en renforcement des capacités

AUDIT AND RISK COMMITTEE TOR’s

Date:  
Venue: 2, ACBF Headquarters, 2 Fairbairn Drive, Mount Pleasant, Harare
INTRODUCTION

Article VIII (8) of ACBF Constitution, mandates the Executive Board to establish such committees as it may consider appropriate to assist in its work. The Executive Board of the African Capacity Building Foundation [“ACBF” or “Foundation”] hereby establishes an Audit and Risk Committee (Committee) to assist it in fulfilling its governance and oversight responsibilities as a committee of the Executive Board.

This charter sets out the responsibilities delegated by the Executive Board to the Committee and the Committee’s purpose, composition, meetings, and responsibility.

PURPOSE

The principal purpose of the Committee is to assist the Executive Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, risk management, and the monitoring of compliance with accounting policies and practices, and the code of conduct.

COMPOSITION

The Committee will consist of five (5) members, three (3) of whom shall be external independent members and two (2) from the Executive Board.

Members of the 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.

At least one member of the Committee shall be a financial expert and knowledgeable in audit issues. Each member of the Committee shall comply with the following:

1. Financial literacy/expertise (at a minimum, the ability to read and understand financial statements).
2. Ability to see the big picture and understand risks.
3. A commitment to safeguard The Foundation’s and its assets.
4. A commitment to ensure that The Foundation will report fairly, accurately, and regularly on its activities and condition.
5. Impeccable ethics and integrity.

MEETINGS

The Committee shall meet at least four times annually, but more often if desired or necessary, in order to discharge its responsibilities. The quorum for meetings of the Committee shall be three provided that two of the three members in attendance are independent members. 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.

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.

**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.

**INDEPENDENCE**

Members of the Committee shall be persons who have no existing family or other personal ties to Management and/or are not employees of The Foundation or its funded projects. No member shall accept directly or indirectly a paid job from The Foundation during their tenure as a member of the Committee.

The following persons are not deemed to be independent and therefore may not serve on The Foundation's Audit and Risk Committee:

1. Current employees of The Foundation or its funded projects;
2. Individuals who have been employees of The Foundation or its funded projects in any of the prior three financial years;
3. 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;
4. Any person employed by a present or former external auditor of The Foundation (until five years following the end of the auditing relationship).

**RESPONSIBILITIES**

The Committee will carry out the following responsibilities:

1. Recommend 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. Resolve any disagreements between Management and the auditor regarding financial reporting.
3. Pre-approve all auditing and non-audit services.
4. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation and make appropriate recommendations to the Executive Board.

5. Seek any information it requires from employees (all of whom are directed to cooperate with the Committee’s requests) or external parties.

6. Meet with the external or internal auditors, without any other member of Management being present, as the Committee deems appropriate.

7. Concur in the appointment and removal of the Head of Internal Audit.

In particular, the Committee will carry out the following responsibilities:

**Financial Statements**

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional pronouncements, and understand their impact on the financial statements.
2. Review with Management and the external auditors the results of the audit and address the Management letter and auditor's comments including any serious difficulties or disputes with Management encountered during the audit.
3. Review the annual financial statements, and consider whether they are complete, consistent with information known to the Committee members, and reflect appropriate accounting principles.
4. Review other sections of the annual report before release and consider the accuracy and completeness of the information.

**Internal Control**

1. Consider the effectiveness of The Foundation’s internal control system, including information technology security and control.
2. Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management’s responses.

**Internal Audit**

1. Approve the internal audit charter.
2. Approve the annual audit plan and all major changes to the plan. Review the internal audit activity’s performance relative to its plan.
3. Review the effectiveness of the internal audit function, including conformance with the institute of internal auditor's definition of internal
auditing code of ethics and the international standards for professional practice of internal auditing.

4. Meet separately with the Head of Internal Audit to discuss any matters that the Committee or internal audit believes should be discussed privately.

**External Auditors**

1. Review the external auditor’s proposed audit scope and approach, including coordination of audit effort with internal audit.
2. Review the performance of the external auditors and recommend the approval of the appointment or discharge of the auditors to the Executive Board.
3. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and The Foundation, including non-audit services and discussing the relationships with the auditors.
4. Meet separately with the external auditors to discuss any matters that the Committee or the auditors believe should be discussed privately.

**Risk Management**

1. Recommend to the Executive Board the adoption of risk management policy.
2. Review the effectiveness of the Enterprise Risk Management system within The Foundation and be assured that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate policies.
3. Monitor the implementation of business unit and The Foundation’s risk management plans.
4. Consider and review with Management and auditors, the adequacy of The Foundation’s risk management methodology and internal controls, including computerized information system controls and security.
5. Review the internal audit’s methods of risk assessments, the results of those assessments and other appropriate matters.
6. Review 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.

**Compliance**

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management’s investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Review the findings of any examinations by other regulatory agencies, and any auditor observations.
3. Obtain regular updates from Management and The Foundation’s legal counsel regarding compliance matters.

**Investigation**

The Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility of any matter brought to its attention, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.

**Reporting responsibilities**

1. Prepare an annual report to the Executive Board addressing all significant matters relevant to the Committee’s objectives, duties and responsibilities.
2. 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.
3. Provide an open avenue of communication between internal audit, the external auditors, and the Executive Board.
4. Review any other reports The Foundation issues that relate to the Committee responsibilities.

**Other Responsibilities**

1. Perform other activities related to this charter as requested by the Executive Board.
2. Provide oversight of The Foundation’s conflict of interest policy, whistleblower and assets declaration and keep the Executive Board apprised of any changes required in the policy or its implementation.
3. Monitor the effectiveness of The Foundation’s policies and practices that relate to compliance with laws, Grant Agreements and accounting standards; and consider the impact of changes in accounting standards.
4. Review 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. Perform other functions referred to the Committee by the Executive Board.

**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.
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 58TH REGULAR MEETING OF THE EXECUTIVE BOARD, HARARE, ZIMBABWE