



AUDIT COMMITTEE CHARTER

Section 1. Introduction

The Audit Committee (or “the Committee”) of the Alliance for Financial Inclusion (AFI) plays an important role in providing oversight of the governance, risk management, and internal control practices of AFI. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Committee performs its role by providing independent oversight to the AFI Board of Directors.

Section 2: Establishment

The AFI Board of Directors at its 10th meeting on 19 December 2017 resolved to strengthen AFI’s governance structure by establishing an Audit Committee. The Board at its 11th meeting on 19 April 2018 approved the appointment of the members of the Committee and the General Meeting held on 5 September 2018 ratified the appointment of the Committee members.

Section 3: Purpose

3.1 The purpose of the Audit Committee is to provide a structured, systematic oversight of AFI’s governance, risk management and internal control practices. The Committee assists the Board and Management by providing advice and guidance on the adequacy of the organization’s initiatives for: a) values and ethics; b) governance structure; c) risk management; d) internal control framework; e) oversight of the internal audit activity, external auditors, and other providers of assurance; and f) financial statements and public accountability reporting.

3.2 The Audit Committee reports directly to the Board of Directors.

Section 4: Authority

4.1 The Audit Committee Charter (or “the Charter”) sets out the authority of the Audit Committee to carry out the responsibilities established for it by the Board as articulated within the Charter. The Charter is reviewed annually and updates or modifications are submitted to the Board for approval and ratification.

4.2 In discharging its responsibilities, the Committee will have unrestricted access to members of the Board, Management Unit, staff, and relevant information it considers necessary to accomplish its duties. Furthermore, the Committee will have unrestricted access to records, data, and reports.

4.3 The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The AFI Management Unit and staff should cooperate with the Committee’s requests.



4.4 The Committee is empowered to: a) oversee all audit services performed by auditors (internal and external); b) resolve any disagreements between Management and the external auditor regarding financial reporting and other matters; and c) pre-approve all auditing services performed by auditors (internal and external); d) ensure of the independence of the signing partner of the external audit firm as well as those of his or her staff; and e) ensure that the Head of Internal Audit and his or her staff have adequate and sufficient resources in order to fulfill its duties.

Section 5: Principal Duties and Responsibilities

The Audit Committee is responsible for the following:

- (a) Review and advise the Board with respect to AFI's annual financial statements;
- (b) Obtain explanations from Management on any significant deviations of financial performance of any given period relative to the established budget that it may deem necessary;
- (c) Provide input on audit prioritization, and approve the risk-based internal audit plan;
- (d) Receive and review internal audit reports on its performance and delivery against the approved internal audit plan, including any significant deviations from the approved internal audit plan, significant risk exposures and control issues, fraud risks, governance issues, and other matters;
- (e) Review the internal audit function's quality assurance and improvement program, which assesses the efficiency and effectiveness of the internal audit function and identifies opportunities for improvement;
- (f) Receive and review information on AFI's significant risk profile to understand the nature and extent of AFI's risk exposures, mitigation plans and procedures in place for ensuring adequate internal controls to manage these risks, and the overall effectiveness of the risk management process;
- (g) Review with the AFI Management Unit and advise the Board on the soundness and relevance of AFI's policies and guidelines to manage AFI's key corporate risks;
- (h) Review potential external auditors and their services in consultation with the AFI Management Unit, and recommend selected auditor for approval of and appointment by the Board;
- (i) Approve the external audit plan;
- (j) Ensure the establishment of an external auditor rotation policy and of its application;
- (k) Review with Management the conclusions of the external auditors work particularly with respect to internal controls; and
- (l) Any other duties or responsibilities as may be instructed or assigned to the Committee by the Board of Directors.



Section 6. Membership

6.1 Composition

The Committee shall comprise of five members, including a Committee Chair and Committee Vice-Chair. Appointments to the Committee shall be made in line with the Articles of Association.

6.2 Nomination

(a) Any paid-up Principal Member institution can nominate itself or another AFI Principal member to the Committee when there is vacancy. The Board will evaluate and approve nominations taking into account:

- (i) Eligibility, qualification and experience relating to auditing or financial management, and level of AFI engagement of the nominated Principal Member including commitment to AFI's vision and values, and demonstrates historical or emerging leadership in the AFI network; and
- (ii) The need to strive for balanced economic, geographical and gender representation of AFI Members on the Committee.

(b) In addition, any Principal Member institution already represented on the Board or the Budget and Finance Committee will not be eligible for simultaneous representation on the Audit Committee and vice versa. A Principal Member in the Audit Committee, however, may serve on other Committees except the Budget and Finance Committee.

6.3 Representative

The Principal Member institution shall nominate a candidate to represent the institution on the Audit Committee who meets the following qualifications:

- (a) Ability to dedicate substantial time and effort to support AFI's mission as well as the mandate of the Committee;
- (b) No potential conflict of interest with his/her other ongoing activities or commitments; and
- (c) Possesses auditing and accounting qualifications and experience.

6.4 Appointment and Term

One term of office for the Audit Committee is two years, and a Committee member may, subject to re-nomination, serve a maximum of two consecutive terms. Committee members may offer themselves for re-election. To ensure continuity, up to three Committee members shall be replaced at the end of a term of the Committee unless no member qualifies owing to the two-term limit.

6.5 Compensation

The Audit Committee membership is not a paid position. Committee members may however receive reimbursement of reasonable costs incurred when required to attend Committee



meetings in person. Reasonable costs include flight tickets and hotel accommodation as specified in the AFI Sponsorship Guidelines.

6.6 Resignation

A Committee member may resign by sending written or electronic notice to the Committee Chair, and to the Chair of the Board in the case of the Committee Chair. The written notice should be given at least 30 days in advance to facilitate a smooth transition, unless a shorter time is agreed with the Committee.

Section 7: Chair and Vice-Chair

The Committee members shall elect a Chair and Vice-Chair from among themselves by simple majority voting of the Committee members present. The Chair will facilitate discussions and preside over Committee meetings. In the absence of the Chair, the Vice-Chair will facilitate discussions and preside over meetings.

Section 8. Meetings and Interactions

8.1 The quorum of the Audit Committee will be the majority of the members.

8.2 Meetings of the Audit Committee shall be held at least two times a year. Special Meetings may be called on an ad-hoc basis by the Chair of the Audit Committee in consultation with the Chair of the Board of Directors.

8.3 One Meeting of the Committee shall be attended in person. Other Meetings and Special Meetings may be held via videoconference and/or conference call.

8.4 Meetings of the Committee shall be called by written notice of the Secretariat no less than 45 days before the meeting date. The notice shall indicate the time, date and place of such meetings and whether the meeting will be held face-to-face or through other ways (videoconference, conference call, etc.). Special Meetings may be called with shorter notice.

8.5 The Secretariat shall inform the Committee members of the meeting agenda and circulate related documentation at least 14 days prior to the scheduled date of the meeting.

8.6 Decisions, advice, and recommendations made in a meeting of the Committee shall be recorded and minutes of the meeting shall be distributed to all members of the Audit Committee. The minutes of a Committee meeting shall be approved by the Committee at the following meeting, signed by the Chair, and shall be retained in the permanent records of AFI.

8.7 Decisions of the Committee are passed by consensus or simple majority vote of the members present or taking part in a meeting by videoconference and/or conference call. In the case of an equality of votes, the Chair of the Audit Committee shall have a casting vote.



Section 9. Reporting

The Committee will provide a report of Committee meeting and activities to the AFI Board of Directors, at the next regular Board meeting or as and when required by the Board.

Section 10. Secretariat

10.1 The AFI Management Unit shall provide secretariat support to the Audit Committee.

10.2 The Secretariat shall communicate with Committee members via email correspondences, or any other means of communication such as telephone calls to facilitate its work. The Secretariat shall maintain relevant contact details of the representative and focal points for each institution represented on the Committee.