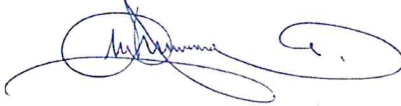


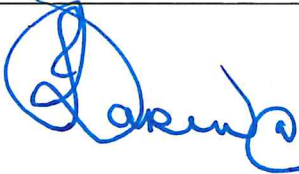


REF: KRC/BAC/02



BOARD AUDIT COMMITTEE CHARTER

NAME:	SIGNATURE:	DATE:
PREPARED BY: MANAGER-INTERNAL AUDIT	SAMMY M. KAARIA. <small>Digitally signed by SAMMY M. KAARIA. Date: 2021.11.23 14:29:08 +03'00'</small>	
CONTROLLED BY: MANAGEMENT REPRESENTATIVE	 <small>Digitally signed by Davis Onsakia Date: 2021.11.23 14:35:17 +03'00'</small>	
RECOMMENDED BY: MANAGING DIRECTOR	Jadiah Mwarania <small>Digitally signed by Jadiah Mwarania Date: 2021.11.30 16:00:06 +03'00'</small>	
APPROVED BY: CHAIRMAN: BOARD AUDIT COMMITTEE		
APPROVED BY: CHAIRMAN OF THE BOARD		10/12/2021

Controlled Copy: Circulation Authorized by Management Representative




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AMENDMENT SHEET

DATE	ISSUE NO.	OLD REV. NO.	NEW REV. NO.	SECTION(S)/ PAGE	DESCRIPTION / SUMMARY OF REVISION	NAME OF PERSON WHO IDENTIFIED THE CHANGE
17.04.13	01	01	02	1	Change of logo	Assistant Manager (IA)
03.07.15	02	01	02	1,4	Role of IA in Risk Management	Manager (IA)
03.07.15	02	01	02	2,19	Inclusion of references in the content page and last page	Manager (IA)
11.04.16	04	02	02	9,10,11, 18	Revision of names, deletion of sentences and clause 8	Manager (IA)
14.10.16	04	02	03	4,5	Align purpose and authority requirements of legislation	Manager (IA)
14.10.16	04	02	03	7,8	Align composition clause to legislation	Manager (IA)
29.01.18	04	03	04	All Pages	Revise document to conform to best practice i.e. Review Charter annually & quality assurance review recommendations.	Manager (IA)
12.07.19	04	03	04	All Pages	Revise document to conform to best practice i.e. Review Charter annually & quality assurance review recommendations.	Manager (IA)
06.02.2020	04	04	05	Various	To conform with best practice	Manager (IA)
21.10.2021	04	06	05	All Pages 10	Revise document to conform to best practice i.e., review charter annually as per the quality assurance review recommendations. Inclusion of the capping of annual meetings	Manager (IA)

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SUMMARY CHARTER

Board audit committee charter plays an important role in providing oversight of the Corporation’s governance, risk management, and internal control practices which serves to provide confidence in the integrity of these practices. The Charter sets out the authority of the BAC to carry out the responsibilities established for it by the Board. The charter gives the Board Audit Committee unrestricted access to resources necessary to carry out its roles.

The committee will have at least three members, one of whom will be the Chairman responsible also for setting Agenda and work plan for the committee. Members will serve for three years and meetings have a quorum of at least three members. The committee will be guided by the code of values and ethics of the corporation.

In addition, the committee will meet a minimum of four times a year with additional meetings depending on circumstances. Duration between meetings of the committee should not exceed four months and deliberations of the committee will be minuted. The committee will offer oversight on internal audit activity, external auditors, financial statements and public accountability reporting besides handling any other responsibilities delegated to it by the Board. The committee will report its performance to the Board on quarterly basis as well as evaluate effectiveness of itself and members annually.

The Charter will be reviewed for any changes annually or earlier as need arise.

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1.0 ORGANIZATIONAL PRINCIPLES


1.1 INTRODUCTION

The Board Audit Committee Charter plays an important role in providing oversight of the Corporation's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Board Audit Committee performs its role by providing confidence in the integrity of these practices.


1.2 PURPOSE

The purpose of the Board Audit Committee is to provide a structured, systematic oversight of the Corporation'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 Corporation's initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of the internal audit activity, external auditors, and other providers of assurance
- Financial statements and public accounting reporting

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The Board Audit Committee reviews each of the items noted above and provides the Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.


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1.3 AUTHORITY

The Board Audit Committee Charter sets out the authority of the Board Audit Committee to carry out the responsibilities established for it by the Board. In discharging its responsibilities, the Board Audit Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee will also have unrestricted access to records, data and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Board Audit Committee and/or Head of Internal Audit will follow a prescribed, Board approved mechanism for resolution of the matter. The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Corporation's management and staff should cooperate with Board Audit Committee requests. The Board Audit Committee may engage independent counsel and/ or other advisors it deems necessary to carry out its duties.

The Board Audit Committee is empowered to:-

- Appoint, compensate, and oversee all audit and non-audit services performed by the auditors.
- Resolve any disagreements between management and the external auditor regarding financial reporting and other matters
- Pre-approve all auditing and non-audit services performed by auditors.

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1.4 COMPOSITION OF THE AUDIT COMMITTEE

The Board Audit Committee will consist of at least three members that are independent of the Corporation. The members should collectively possess sufficient knowledge of audit, finance, insurance, information technology, law, governance, risk and control. Periodically, the members of the committee competences and overall balance of skills will be re-evaluated in response to emerging needs.

i) The chair of the Board Audit Committee.

The Board will designate the chair of the Board Audit Committee and appointment of committee members.

ii) Terms of office

The term of office for Board Audit Committee member is three years. Continuance of Board Audit Committee members will be reviewed annually.


iii) Quorum

The quorum of the Board Audit Committee will be at least three members.

2.0 OPERATIONAL PRINCIPLES

2.1 Audit Committee values

The Board Audit Committee will conduct itself in accordance with the code of values and ethics in the Corporation. The Board Audit Committee expects that management and staff of the Corporation will adhere to these requirements.

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2.2 Communications

The Board Audit Committee expects that all communication with management and staff of the Corporation as well as with any external assurance providers will be direct, open, and complete.

2.3 Work Plan

The Board Audit Committee chair will collaborate with senior management and the Head of Internal Audit to establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.

2.4 Meeting Agenda


The chair of the Board Audit Committee will establish agendas for the Board Audit Committee meetings in consultation with the Board Audit Committee members, Senior Management, and the Head of Internal Audit.

2.5 Information Requirements

The Board Audit Committee will establish and communicate its requirements for information which will include the nature, extent, and timing of information. Information will be provided to the Board Audit Committee at least one week prior to each Board Audit Committee meeting.

2.6 Executive Sessions

The Board Audit Committee will schedule, and hold, if necessary, a private session with the Managing Director, General Manager Finance and Investments, General manager Reinsurance, General Manager Property and Administration, Head of Internal Audit, external assurance providers and with any other officials that the Audit Committee may deem appropriate at each of its meetings.

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2.7 Preparation and attendance

Board Audit Committee members are obligated to prepare for and participate in committee meetings.

2.8 Conflict of Interest

Board Audit Committee members should adhere to the Corporation's code of conduct and any values and ethics established by Kenya Reinsurance Corporation. It is the responsibility of Board Audit Committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether Board Audit Committee member(s) should recuse himself or herself, the audit committee should vote to determine if the member should recuse himself or herself.


2.9 Orientation and Training

Board Audit Committee members will receive formal orientation training on the purpose and mandate of the committee and on the Corporation's objectives. A process of continuing education will be established.

3.0 OPERATIONAL PROCEDURES

3.1 Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The time frame between Audit Committee meetings should not exceed four months. The maximum number of meetings should not exceed six each year as guided by the periodical guidelines published by the government.

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3.2 Minutes

Minutes will be prepared and provided in draft format after each Audit Committee meetings.

3.3 Secretariat services

The Head of Internal Audit (or another appropriate designee) will facilitate and coordinate meetings as well as provide ancillary support to the committee, as time and resources permit.


3.4 Responsibilities

It is the responsibility of the Board Audit Committee to provide the Board with independent, objective advice on the adequacy of management’s arrangements with respect to the following aspects of the management of the Corporation: -

3.4.1 Value and Ethics

To obtain reasonable assurance with respect to the Corporation’s values and ethics practices, the Board Audit Committee will:

- Review and assess the policies, procedures, and practices established by the Corporation to monitor conformance with its code of conduct and ethical polices by all managers and staff of the Corporation.
- Provide oversight of the mechanisms established by management to maintain high ethical standards for staff of the Corporation.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies and standards of ethical conduct to identify and deal with any legal or ethical violations.

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3.4.2 Organizational Governance

To obtain reasonable assurance with respect to the Corporation’s governance process, the Board Audit Committee will review and provide advice on the governance process and procedures in place to ensure they are operating effectively.

3.4.3 Risk management


To obtain reasonable assurance with respect to the Corporation’s risk management practices, the Board Audit Committee will:

- Annually review the Corporation’s risk profile
- Obtain from the Head of Internal Audit an annual report on management’s implementation and maintenance of an appropriate enterprise-wide risk management process.
- Provide oversight on significant risk exposures, internal controls and other matters needed or requested by senior management and the Board.
- Provide oversight of adequacy of the combined assurance being provided.
- Review and provide advice on the risk management and procedures in place to ensure that they are operating as intended.

3.4.4 Fraud

To obtain reasonable assurance with respect to the Corporation procedures for the prevention and detection of fraud, the Board Audit Committee will:

- Oversee management’s arrangements for the prevention and deterrence of fraud
- Ensure that appropriate action is taken against known perpetrators of fraud

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- Challenge management, internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

3.4.5 Control


To obtain reasonable assurance with respect to the adequacy and effectiveness of the Corporation's controls in responding to risks within the Corporation governance, operations and information systems, the Board Audit Committee will:

- Consider the effectiveness of the Corporation's control framework, including information technology security and control.
- Review and provide advice on the internal controls of the Corporation as a whole and the respective departments
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the Board.

3.4.6 Compliance

The Board Audit Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-up of any instances of non - compliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies
- Review the process for communicating the code of conduct to the Corporation's personnel and for monitoring compliance

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- Obtain regular updates from the management and the Corporation’s legal counsel regarding compliance matters

4.0 OVERSIGHT OF THE INTERNAL AUDIT ACTIVITY AND ASSURANCE PROVIDERS

4.1 Internal Audit Activity


To obtain reasonable assurance with respect to work of the internal audit activity, the Board Audit Committee will provide oversight related to:

4.1.1 Internal Audit Charter and Resources

- Review and approve the internal audit charter at least annually. The Charter should be reviewed to ensure that it accurately reflects the internal audit activity’s purpose, authority, and responsibility, consistent with the mandatory guidance of the IIA’s International Professional Practices Framework and the scope and nature of assurance and consulting services as well as changes in the financial, risk management and governance processes of the Corporation’s and reflects developments in the professional practice of internal auditing.
- Advise the Board about changes to resources required to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

4.1.2 Performance of the Head of Internal Audit

- Advise the Board regarding the qualifications and recruitment, appointment, and removal of the Head of Internal Audit
- Provide input to management related to evaluating the performance of the Head of Internal Audit

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- Recommend to management or the governing body the appropriate compensation of the Head of Internal Audit.

4.1.3 Internal Audit Strategy and Plan

- Review and provide input in the internal audit activity's strategic plan, objectives, performance measures and outcomes
- Review and approve proposed risk based internal audit plan and make recommendations concerning internal audit projects
- Review and approve the internal audit plan and engagement work plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan
- Review the internal audit activity's performance relative to its audit plan.

4.1.4 Internal Audit Engagement and Follow-Up

- Review internal audit reports and other communications to management
- Review and track management's action plans to address the results of internal audit engagements
- Review and advise management of the results of any special investigations
- Inquire of the Head of Internal Audit whether any internal audit engagements or non- audit engagements have been completed but not reported to the committee, if so enquire whether any matters of significance arose from such work.
- Inquire of the Head of Internal Audit whether any evidence of fraud has been identified during internal engagements and evaluate what additional actions, if any, should be taken.

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4.1.5 Conformance to Standards


- Inquire of the Head of Internal Audit about steps taken to ensure that the internal audit activity conforms to the IIA's International Standards for the Professional of Internal Auditing (standards).
- Ensure that the internal audit activity has a quality assurance and improvement program, and the results of these periodic assessments are presented to the Audit Committee.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address recommendations for the review
- Advise the Board about any recommendations for the continuous improvement of the internal audit activity.

4.2 External Auditors

To obtain reasonable assurance on the work of the external assurance providers, the Board Audit Committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussions of the results of engagements.

The Board Audit Committee will:

- Review the external auditor's proposed audit scope and approach, including coordination of audit effort with the internal audit activity.

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- Review the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
- Obtain statements from external auditors about their relationships with the Corporation, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters
- Monitor management’s progress on action plans from external audit reviews.
- To obtain reasonable assurance that the management has acted on the results and recommendations of the internal and external audit engagements, the Audit Committee will regularly review reports on the progress of implementing approved management action plans and recommendations resulting from completed audit engagements.

4.3 Financial Statements and Public Accountability Reporting

The Board Audit Committee is responsible for oversight of the independent audit of Corporation’s financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal controls, governance, risk and compliance.

The Board Audit Committee will:

- Review with management and external auditors the results of audit engagements including any difficulties encountered.


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- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas and recent professional and regulatory pronouncements, and understand their impact on financial statements.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings and consider accuracy and completeness of the information before it's released.
- Review with management and external auditors all matters required to be communicated to the Audit Committee under international financial reporting standards and international standards on auditing
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets and investment plans.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- Review interim financial reports with the management and external auditors before filing with regulators and consider whether they are complete and consistent with the information known to committee members.

4.4 Other Responsibilities

In addition the Board Audit Committee will:

- Perform other activities related to this Charter as requested by the Board.
- Institute and oversee special investigation when needed
- Evaluate its performance and that of its individual members annually.

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4.5 Reporting on the performance of the Audit Committee

The Board Audit Committee will report to the Board quarterly, summarizing the Committees' activities and recommendations. The report will be delivered during a regular a regularly meeting scheduled by the Board.

The report should include:-

- A summary of the work the committee performed to discharge its responsibilities during the preceding quarter.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of governance, risk, internal controls and compliance processes including details of any significant emerging risks or legislation impacting the Corporation.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments
- Any other the matter the Committee deems to be of significance to the Board.

5.0 REVIEW

The Corporation will make necessary amendments to the provisions of this Charter annually or as need arise.

FROM : MANAGING DIRECTOR
TO : **MANAGER INTERNAL AUDIT**
MANAGER LEGAL
DATE : 11TH NOVEMBER 2021
SUBJECT: DECISIONS OF THE BOARD AT THE 521ST BOARD MEETING
HELD ON 2ND NOVEMBER 2021

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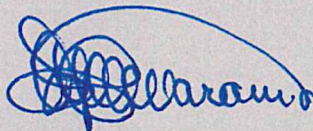
3. MINUTE NO.906/2021-SUMMARY OF THE DELIBERATIONS OF
THE BOARD AUDIT COMMITTEE MEETING HELD ON 21ST
OCTOBER 2021

The Board NOTED the summary of proceedings of the Board Audit Committee meeting held on 21st October 2021 and DIRECTED that the adopted recommendations of the Committee be followed for Management implementation by the respective Committee.

The Board further DIRECTED as follows:

a) Board Audit Committee Charter

The Board APPROVED the Audit Committee Charter as recommended by the Committee.



JADIAH MWARANIA

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