

BOARD AUDIT COMMITTEE

Alliance Finance PLC is a financial institution licensed by Bangladesh Bank. As per regulatory requirements, the company must form an Audit Committee consisting of Board members.

The committee will review the financial reporting process, the system of internal controls and management of financial risks, the audit process, and the FI's process for monitoring compliance with laws and regulations and its own code of business conduct.

In accordance with the Internal Control and Compliance (ICC) Framework- Best Practices issued by Bangladesh Bank along with DFIM Circular No. 13, dated October 26, 2011, of Bangladesh Bank under the Financial Institutions Act, 1993 and Financial Institute Regulation, 1994; Audit committee will perform according to their terms of reference determined by the board of directors.

TERMS OF REFERENCE OF BAC

1. PURPOSE:

The purpose of the Board Audit Committee (“Committee”) is to assist the Board of Directors in fulfilling its oversight responsibilities for;

- i. The integrity of the financial reporting of the Company and the compliance with financial reporting requirements, information requirements of the Company’s Act, and other related financial reporting regulations.
- ii. The effectiveness of the internal control system and the Company’s Risk Management function.
- iii. Assessing the company’s ability to continue as a going concern in the foreseeable future.
- iv. Independence and performance of the company’s external auditors.
- v. Performance of the company’s internal audit function.
- vi. The Company’s compliance with legal and regulatory requirements including the performance of the Company’s compliance function.

2. MEMBERSHIP:

- i. Members of the committee will be nominated by the board of directors; the Alternate Director cannot be a member of the Audit Committee.
- ii. The audit committee will be comprised of a maximum of 05 (five) members; Out of these 05 (five) members 01 (one) member will be the Chairman of the company who shall possess accounting/audit qualifications and experience.
- iii. Members may be appointed for a 03 (three) year term of office.
- iv. Company secretary of the FI will be the secretary of the Audit committee.

3. QUALIFICATIONS OF THE MEMBERS:

- i. Integrity, dedication, and opportunity to spare time in the functions of the committee will have to be considered while nominating a director to the committee.
- ii. Each member should make valuable and effective contributions to the functioning of the committee.
- iii. To perform his or her role effectively each committee member should have an adequate understanding of the detailed responsibilities of the committee membership as well as the FI's business, operations, and risks.

4. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE:

The role and responsibilities of the Audit Committee are as follows.

i. Internal Control:

1. Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have a clear understanding of their roles and responsibilities.
2. Review management's actions in building computerization of the FI and its applications and FI's Management Information System (MIS);
3. Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management.
4. Assess and evaluate the risk management process of the company to ensure an effective and balanced control mechanism.
5. Consider reports relating to fraud, forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and place it

before the board after reviewing whether necessary corrective measures have been taken by the management.

ii. Financial Reporting:

1. Audit committee will check whether the financial statements reflect complete and concrete information and determine whether the statements are prepared according to existing rules & regulations and standards enforced in the country and as per relevant prescribed accounting standards set by Bangladesh Bank.
2. Discuss with management and the external auditors to review the financial statements before their finalization.
3. Oversee the financial reporting process.
4. Monitoring the choice of accounting policies and principles shall be laid down clearly and shall be disclosed as notes to the accounts in the Audited financials.

iii. Internal Audit:

1. Audit committee will monitor whether the internal audit working independently from the management.
2. Review the activities of the internal audit and the organizational structure and ensure that no unjustified restriction or limitation hinders the internal audit process.
3. Examine the efficiency and effectiveness of the internal audit function.
4. Examine whether the findings and recommendations made by the internal auditors are duly considered by the management or not.

iv. External Audit:

1. Review the performance of the external auditors and their audit reports;
2. Examine whether the findings and recommendations made by the external auditors are duly considered by the management or not.
3. Make recommendations to the board regarding the appointment of external auditors.

v. Compliance with existing laws and Regulations:

Review whether the laws and regulations framed by the regulatory authorities (Bangladesh Bank and other regulatory bodies) and internal regulations approved by the board are being complied with.

vi. Other Responsibilities:

1. Submit compliance reports to the board on a quarterly basis on regularization of the omission, fraud and forgeries, and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities.
2. External and internal auditors will submit their related assessment reports if the committee solicits them.
3. Perform other oversight functions as desired by the Board of Directors and evaluate the committee's own performance on a regular basis.
4. Review the Management's Discussion and Analysis before disclosing them in the Annual Report.
5. Review the quarterly and half-yearly financial statements before submission to the board for approval.
6. Review the adequacy of the internal audit function.
7. Review the Management's Discussion and Analysis before disclosing them in the Annual Report.
8. Review statements of significantly related party transactions submitted by the management.
9. Review Management Letters/Letters of Internal Control Weakness issued by statutory auditors.
10. Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed, and time required for effective audit and evaluate the performance of external auditors.
11. Disclosure to the Audit Committee about the uses/applications of IPO funds by major category (capital expenditure, sales, and marketing expenses, working capital, etc.), every quarter, as a part of their quarterly declaration of financial results (Further, on an annual basis, shall prepare a statement of funds utilized for the purposes other than those stated in the prospectus.
12. Assessing the company's ability to continue as a going concern entity in the foreseeable future.

3. MEETINGS:

- i. The audit committee should hold at least 4 quarterly meetings in a year, and it can sit at any time as it may deem fit.
- ii. The committee may invite the Chief Executive Officer, Head of the internal audit, or any other Officer to its meetings if it deems it necessary.
- iii. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to committee members well in advance before each meeting.
- iv. All decisions/observations of the committee should be noted in minutes. Meeting minutes must be sent to Bangladesh Bank within the next 5 (five) days after holding the meeting.
- v. Board Secretary shall be the Secretary for the Board Audit Committee as well.
- vi. All meeting minutes once approved and sent to Bangladesh Bank shall be circulated among the Board Audit Committee members.
- vii All meeting minutes of the Board Audit Committee shall be placed on the immediate Board meeting for ratification.

4. QUORUM:

The Chairman of the Board Audit Committee shall be appointed by the Board of Directors at the meeting. The quorum necessary for the transaction of business shall be Five (5) members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions vested in or exercisable by the committee.

5. AUTHORITY

The committee shall have the full authority to review and add perspective which shall enhance its ability to perform effectively under the supervision of the Board.

- i. Explicit authority to investigate any matter, including calling any employee to be questioned at a meeting of the committee, within its terms of reference.
- ii. The resources which it needs to do so.
- iii. Full access to information; and
- iv. Authority to obtain external professional advice, at the company's expense and to invite outsiders with relevant experience to attend, if necessary.