

NON-AUDIT SERVICES

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Audit Committee, Board of Directors

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OBJECTIVES

The Objective of this policy is to provide requisite guidelines to the Board of Directors and the Board Audit Committee of Advans La Fayette Microfinance Bank when considering the engagement of the external auditor to provide non-audit services.

RELATED DOCUMENTS

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Name of related document 2

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1. INTRODUCTION

In line with section 11.4.7.9 of the Nigerian Code of Corporate Governance, the board audit committee shall develop a policy on the nature, extent and terms under which the external auditors may perform non-audit services. As such, they shall review the independence of the external auditors prior to their appointment to perform non-audit services to ensure that where approved non-audit services are provided by the external auditors, there is no real or perceived conflict of interest, or other legal or ethical impediment;

This policy therefore, applies where Advans La Fayette MFB propose to engage with the external auditor for the provision of non-audit services. It is in place to mitigate any risks threatening, or appearing to threaten, the external audit firm's independence and objectivity arising through the provision of non-audit services which

- + create conflicts of interest between the external audit firm and Advans La Fayette MFB;
- + result in the external audit firm functioning in the role of management
- + result in a fee which is material relative to the audit fee or to the compensation of the individuals performing the audit
- + place the external audit firm in the position of auditing its own work
- + or place the external audit firm in the position of being an advocate for the bank.

This policy is in line with the recommendations set out in the Financial Reporting Council's (FRC's) Guidance on Audit Committees and the requirements of the FRC's Revised Ethical Standard.

2. PERMITTED AUDIT AND AUDIT-RELATED SERVICES

The services for which the external auditors may be considered for engagement include:

- + Statutory audit of the Financial Statements of the bank.
- + Review of the Company's half-year report and interim Financial Statements.
- + Reporting required by law or regulation to be performed by the auditor.
- + Reporting on internal financial controls where required by law or regulation
- + Extended audit work that is authorized by those charged with governance performed on financial information and/ or financial control where it is integrated with the statutory audit and performed on the same principal terms and conditions.
- + Reporting on government grants (if any)
- + Reporting to a regulator on client assets
- + Reporting on regulatory returns
- + Forensic Audit.

Audit-related services (which are the services listed above other than the audit of the financial statements of the bank), are still considered non-audit services and are subject to the approval requirements set out in this policy. It is expected that these will be approved as part of the audit committee review of the external audit plan. In addition, other non-audit services may be engaged where:

- + they are closely related to the work performed in the external audit process and are largely carried out by members of the audit team; or

- + for reasons of effectiveness or efficiency, it is advantageous to use external auditors because of their knowledge and expertise.

3. PERMITTED NON-AUDIT SERVICES

- + Employee benefit plan audits.
- + Attestation in relation to matters not required by statute or law (e.g. controls reports).
- + Consultations concerning financial accounting and reporting standards not relating to the audit of the group, parent or subsidiary undertakings
- + Other reports required by regulators or assurance services relating to regulatory developments.
- + Sustainability audits.
- + IT security audits (where this does not extend to designing and implementing internal control or risk management procedures).
- + Other non-audit services not prohibited by the law and Ethical Standard.

4. PROHIBITED NON-AUDIT SERVICES

For the purposes of this policy, prohibited non-audit services shall mean:

- + tax services relating to:
 - preparation of tax forms;
 - payroll tax;
 - customs duties;
 - identification of public subsidies and tax incentives unless support from the *audit firm* in respect of such services is required by law
 - support regarding tax inspections by tax authorities unless support from the *audit firm* in respect of such inspections is required by law;
 - calculation of direct and indirect tax and deferred tax;
 - provision of tax advice;
- + services that involve playing any part in the management or decision making of the audited entity
- + bookkeeping and preparing accounting records and financial statements
- + payroll services
- + designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems
- + valuation services, including valuations performed in connection with actuarial services or litigation support services
- + legal services, with respect to:
 - the provision of general counsel;
 - negotiating on behalf of the *audited entity*; and
 - acting in an advocacy role in the resolution of litigation
- + services related to the bank's internal audit function
- + services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the

financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the bank

- + promoting, dealing in, or underwriting shares in the bank
- + human resources services, with respect to:
 - management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the *statutory audit*, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
 - structuring the organization design; and
 - cost control.
- + All other non-audit services prohibited by law and ethical standards

5. FEE

Any arrangement with the auditor that includes contingent fee arrangements is not permitted. In addition, the total fees for non-audit services provided by the auditor to Advans La Fayette MFB shall be limited to no more than 70% of the average of the statutory audit fee for the Company in the last three consecutive financial years. On the appointment of new auditors, the 70% cap will be based on the relevant annual statutory audit fee for that particular year only, with the average of the current year and the previous year applying in the second year, and the average of the previous two years and the current year being applied from the third year. Details of non-audit services provided by the external auditors shall be monitored and reviewed by the Board Audit Committee.

6. APPROVAL PROCESS

Approval of the board audit committee shall be obtained by the executive management of Advans La Fayette MFB before the external auditor is engaged to provide any permitted non-audit services.

The committee's objective should be to ensure that the provision of such services does not impair the external auditor's independence or objectivity. In the context of non-audit services that are not prohibited by law, the audit committee should apply judgement concerning the provision of such services, including assessing:

- + threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- + the nature of the non-audit services;
- + whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;
- + the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee, including special terms and conditions (for example contingent fee arrangements); and
- + the criteria which govern the compensation of the individuals performing the audit

7. CONFIRMATION OF INDEPENDENCE

In line with Financial Reporting Council's (FRC's) Guidance on Audit Committees, the board audit committee of Advans La Fayette should seek annually from the audit firm information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff

8. REVIEW OF POLICY

The Board Audit Committee may review this policy at any time and from time to time in its sole discretion subject to the approval of the board of Directors.