

NATIONAL COMMISSION FOR SCIENCE AND TECHNOLOGY

Finance & Audit Committee Charter

September 2012

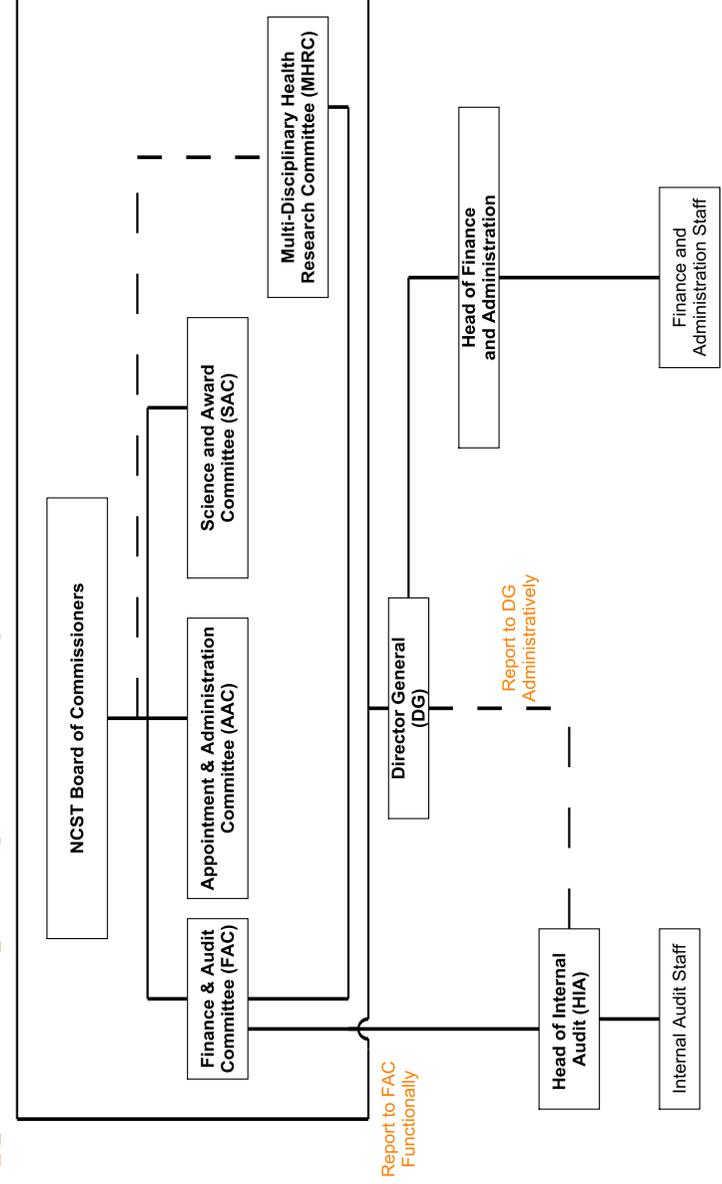
NATIONAL COMMISSION FOR SCIENCE AND TECHNOLOGY

Finance & Audit Committee Charter

September 2012

Appendix

Appendix I: Reporting Structure of the Finance and Audit Committee



- stakeholders may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- c) Shall ensure that arrangements are in place for the proportionate and independent investigation of matters of impropriety and for appropriate follow-up action.
 - d) Shall review at least once annually the whistle blowing policies and procedures

Other Responsibilities

- a) Institute and oversee special investigations as needed.
- b) Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- c) Review and assess the adequacy of the FAC Charter annually, requesting Board approval for proposed changes.
- d) Confirm annually that all responsibilities outlined in this charter have been carried out.
- e) Evaluate the FAC and individual Members' performance on a regular basis.
- f) Perform other activities related to this Charter as requested by the Board.

Donor funded programmes

The NCST's FAC shall also provide oversight to any donor funded programme within the NCST. The FAC shall provide this oversight in the same manner it oversees NCST's secretariat's operations. In doing so, the FAC will take into account the agreements between NCST and its funders and any other procedures that have been tailored and adopted for the effective implementation and management of the funded programme. In particular, the FAC will;

- a) Review and recommend program reports to the Board
- b) Review financial related program documents and provide feed back
- c) Review program performance
- d) Facilitate any feedback required by the funding organisation

FAC Development

Orientation and development of FAC members shall be undertaken as per the Board's orientation and continuing education policy as stipulated in the Board Charter.

FAC Compensation

Remuneration of the members shall be in-line with the Board remuneration policy as stipulated in the Board Charter.

Table of Contents

| | |
|--------------------------------------|----|
| Acknowledgements | 3 |
| Acronyms | 6 |
| Overview | 7 |
| Authority | 9 |
| Powers of the FAC | 9 |
| Objectives of the FAC | 9 |
| Composition | 10 |
| FAC Size | 10 |
| FAC Chairperson and Vice Chairperson | 10 |
| Functional Committees | 11 |
| Meetings | 11 |
| Meeting Attendance | 11 |
| Finance Meetings | 11 |
| Audit Meetings | 12 |
| Closed door sessions | 12 |
| Meeting Procedures | 12 |
| Agenda of FAC Meetings | 12 |
| FAC Presentations | 2 |
| Quorum | 12 |
| FAC Decisions | 12 |
| FAC Minutes | 12 |
| Responsibilities | 13 |
| Fiscal Management | 13 |
| Financial Reporting | 14 |
| Institutional Risk Management | 14 |
| Internal Controls | 15 |
| Internal Audit | 15 |
| External Audit | 16 |
| Information Technology Governance | 17 |
| Compliance | 17 |
| Reporting | 17 |
| Whistle blowing | 17 |
| Other Responsibilities | 18 |
| Donor funded programmes | 18 |

| | |
|--|----|
| FAC Development | 18 |
| FAC Compensation | 18 |
| Appendix | 19 |
| Appendix I: Reporting Structure of the Finance and Audit Committee | 19 |

- discuss any matters that the committee or external auditors believe should be discussed privately.
- vii) Review ToRs for external auditors

Information Technology Governance

The Board through the FAC is responsible for the governance of ICT. The FAC has delegated the responsibility of implementing the ICT Strategy to Head of Documentation and Information Services. The FAC shall assist the Board to manage ICT through:

- Jointly with SAC ensure that the ICT strategy is integrated into NCST strategic and business processes.
- Monitor and evaluate significant investments in ICT to ensure ICT investments add value to NCST.
- Receive reports from HoFA on the performance of the ICT function.
- Integrate ICT with NCST risk management strategy.
- Ensure ICT assets are managed effectively.

Compliance

- Through the Board Chairperson ensure the whole Board and each individual Commissioner has a working understanding of the effect of the Act, applicable laws, rules, codes and standards on NCST and its business.
- Oversee the implementation of an effective system for monitoring compliance with laws and regulations.
- Oversee the implementation of management's investigation results and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor (both internal and external) on compliance.
- Integrate compliance with NCST risk management strategy.
- Review the process for communicating and complying with NCST Code of Conduct.
- Obtain regular updates from management and NCST's legal counsel regarding compliance matters.
- Ensure that all committees, its members including adhoc committees, and management, are abiding to governance requirements

Reporting

- Regularly report to the Board about the FAC activities, issues and related recommendations.
- Provide an open avenue for communication among finance staff, IAF, the external auditors and the Board.

Whistle blowing

The FAC committee:

- Shall ensure whistle blowing policies and procedures are in place
- Shall review the institutional arrangements by which NCST staff and other

- h) Ensure appropriate procedures are in place for the appointment, replacement, reassignment or dismissal of the HIA and on any external organization providing internal audit and assurance services to NCST.
- i) At least once per year, jointly with the AAC review the performance of the HIA and concur with the annual compensation and salary adjustment.
- j) Review the quality and effectiveness of the IAF, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing at least once every three years. The FAC may consider using an independent quality assurance reviewer to undertake the quality assurance review or obtain feedback from key persons involved in the audit process.
- k) Ensure the IAF establishes and maintains a quality assurance and improvement programme.
- l) On a regular basis, meet separately with the HIA to discuss any matters that the FAC or HIA believes should be discussed privately.
- m) Review with the DG and HIA the Internal Audit Charter, activities, staffing, and organizational structure of the internal audit function.

External Audit

- a) Coordinate with the Auditor General on the undertaking of NCST statutory audits and in the compliance of the Audit Act.
- b) Review and if appropriate recommend to the Board the adoption of the annual audited financial statements.
- c) Coordinate with the Auditor General in the process of hiring a firm of public auditors.
- d) Where NCST has hired a firm of public auditors, the FAC shall:
 - i) Review the quality and effectiveness of the external audit process and recommend to the Auditor General their re-appointment or discharge at least once every three years.
 - ii) Coordinate with the Auditor General in reviewing the external auditors' proposed audit scope and approach, including coordination of audit effort with IAF.
 - iii) Pre-approve all audit and non-audit services.
 - iv) Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and NCST, including non-audit services.
 - v) Approve the use of external auditors for non-audit services (to ensure the independence of the auditor is not impaired). Factors to consider while approving such services include the auditor's own assessment of its independence, measures put in place by the auditors to safeguard their independence, the nature of services being provided, the extent of management's responsibility over the services being performed, any guidelines issued by relevant professional and regulatory bodies and the composition of the service team.
 - vi) On a regular basis, meet separately with the external auditors to

Acknowledgements

This document was developed by the Health Research Capacity Strengthening Initiative (HRCESI) with funding from the UK Department for International Development (DFID) and Wellcome Trust. Technical support was provided by Pricewaterhouse Coopers (Kenya).

Acronyms

| Terms | Description |
|------------------------|---|
| AAC | Appointments and Administration Committee |
| Act/Science Act | Science and Technology Act No 16 of 2003 |
| Audit Act | Public Audit Act No 6 of 2003 |
| Board | NCST Board of Commissioners |
| Board Charter | Charter of the NCST Board of Commissioners |
| FAC Charter | Finance and Audit Committee Charter |
| Committee | Committee or Functional Committee of the NCST Board of Commissioners |
| Commissioner/Members | Members of NCST Board of Commissioners |
| Constitution | The Malawi Constitution of 1994 |
| DG | Director General |
| FAC | Finance and Audit Committee |
| FAD | Finance and Administration Department |
| Finance Management Act | Public Finance Management Act No 6 of 2003 |
| GoM | Government of Malawi |
| HIA | Head of Internal Audit |
| HoDIS | Head of Documentation and Information Services |
| HoFA | Head of Finance and Administration |
| IAF | Internal Audit Function |
| ICT | Information and Communication Technology |
| MoEST | Ministry of Education, Science and Technology |
| MoF | Minister of Finance |
| Member | Member of Finance and Audit Committee |
| NCST/Organisation | National Commission for Science and Technology |
| Procurement Act | Public Procurement Act No 8 of 2003 |
| Secretariat | Management of NCST led by the Director General |
| SAC | Scientific and Awards Committee |
| Sub-Committee | A Sub-Committee of a Committee of the NCST Board of Commissioners |
| Vice Chairperson | Person elected as the Vice-Chairperson of the Finance and Audit Committee |

- g) Facilitating the Board to disclose to Department of Statutory Corporations, MoF, MoEST and key stakeholders how NCST Board has satisfied itself that risk assessments, responses and interventions are effective. The FAC shall also report any undue, unexpected or unusual risks, and any material losses.

Internal Controls

The FAC shall ensure that the NCST has a strong internal control environment. In particular, it shall;

- Consider the effectiveness of the NCST's internal control system, including information technology security and controls.
- Understand the scope of internal and external auditors' review of internal control over the NCST's operations and financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Ensure that there is an effective risk based Internal Audit Function.
- Safeguard the independence of the IAF by ensuring the HIA reports functionally to the FAC and administratively to the DG.
- Review the planned internal audit activities and consider their adequacy as a basis for providing an independent and objective opinion on risk management, controls and governance. In particular, advise the Board on the adequacy of:
 - The Internal Audit Charter.
 - The effectiveness of the internal audit strategy and annual audit plan in addressing the NCST risks.
 - The resourcing of IAF.
 - The risk based annual audit plan.
 - The arrangements for and the results of the IAF quality assurance processes.
 - The adequacy of management's response to internal audit advice and recommendations, including the monitoring of the implementation of agreed action plans.
 - The independence of the HIA and the IAF from other executive activities undertaken in NCST.
- Ensure that the HIA has direct access and is accountable to the Finance and Audit Committee.
- Have final authority to review and approve the annual risk based audit plan and all major changes to the plan.
- Receive feedback from IAF on the effectiveness of NCST systems of internal control and risk management.
- Review and monitor management's responsiveness to findings and recommendations made by the internal auditors as regards both completion and timeliness.

to it by the Board or the Chairperson of the Board.

Financial Reporting

- a) Ensure financial reports, financial statements and associated information are in accordance with accepted accounting practice.
- b) 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 NCST financial statements.
- c) Review with management and the auditors (both internal and external) the results of their audits, including any difficulties encountered.
- d) Resolve any disagreements between management and the auditor regarding financial reporting.
- e) Review the annual financial statements and consider whether they are complete; consistent with information known to Members; accurate and reflect appropriate accounting principles.
- f) Review with management and the external auditors all matters required to be communicated to the FAC committee under generally accepted auditing standards.
- g) Understand how management develops interim financial statements, and the nature and extent of the internal and external auditor involvement.
- h) Review interim financial statements with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to Members.
- i) Jointly with SAC, review quarterly performance management reports submitted by the Secretariat through the DG.
- j) Within four (4) months after NCST financial year end, the FAC jointly with the SAC shall facilitate the Board to submit to the MoF and MoEST, NCST performance and management reports of its operations together with its audited financial statements.
- k) Jointly with SAC assist the Board to present the Science and Technology report to the National Assembly every two (2) years.

Institutional Risk Management

The Board is responsible for the governance of risk. The FAC shall assist the Board to manage risks that impact on NCST through:

- a) Assisting the Board determine NCST risk appetite.
- b) Overseeing the process of designing and implementing appropriate risk management strategies
- c) Overseeing the monitoring of the effectiveness and efficiency of the risk management strategies implemented.
- d) Ensuring that risk assessment is undertaken annually.
- e) Ensuring risks are prioritized and ranked to focus risk management initiatives to those risks that are outside Board's risk appetite.
- f) Obtaining feedback from internal and external auditors on the effectiveness of NCST risk management process.

Overview

The National Commission for Science and Technology Board in addition to the Awards Committee, may for the purpose of performing its functions under the the Science and Technology Act 2003, establish other Committees. The Board delegates to the Committees some of its functions as it considers necessary for purposes of performing its fuctions under the Act. The Board has established the Finance and Audit Committee.

The Finance and Audit Committee Charter defines the relationships between the FAC, NCST Board of Commissioners, other Committees of the Board and the Secretariat. The FAC Charter is part of NCST corporate governance framework. It provides the structure through which the Board (through the FAC) is able to provide financial and risk management oversight to NCST in order to achieve the NCST mandate under the Act. The Charter establishes the authority and responsibility of the FAC so that it may function effectively and efficiently.

The FAC is mandated to assist the Board in fulfilling its oversight responsibilities through:

1. **Integrated Reporting and Disclosures:** FAC shall ensure that appropriate systems and processes are put in place in order to produce integrated reports to Government of Malawi and other key stakeholders. These reports and disclosures shall give a complete picture of NCST's financial and non-financial profiles. The reports shall be holistic and reliable.

The FAC shall ensure that reporting is integrated across all areas of performance, reflecting the choices made in the strategic decisions adopted by the Board, and should include reporting in the triple context of economic, social and environmental issues. The FAC shall ensure the reports generated by NCST shall enable the Government of Malawi and other key stakeholders to assess both the book value and economic value of NCST.
2. **Governance of Risk:** the Board has identified the strong interdependence between risk management and the achievement of NCST strategic and operational plans. The Board is responsible for the governance of risk and determination of NCST risk tolerance. The FAC shall assist the Board in carrying out its risk management responsibilities and ensuring NCST has effective and effecient internal control systems.
3. **Internal Audit:** the FAC shall ensure that a risk-based approach directs the Internal Audit Function(IAF). This will enable IAF to addresses strategic, operational, financial and sustainability issues in its quest to deliver value to NCST.
4. **Governance of Information Technology:** the Board recognises that information and communication technology (ICT) is fundamental to the support,

sustainability and growth of NCST. ICT cuts across all aspects, components and processes of NCST and is therefore not only an operational enabler for the Organisation, but an important strategic asset which should be leveraged to create opportunities and to gain competitive advantage.

While being a strategic asset to NCST, ICT also presents the Organisation with significant risks. The FAC shall ensure that strategic asset of ICT and its related risks and constraints are well governed and controlled. This will ensure that ICT resources supports NCST strategic objectives.

5. **Compliance:** the Board is responsible for NCST's compliance with Malawian Constitution, the Act and other relevant laws and regulations. The Board ensures that NCST also complies with the non-binding rules, codes and standards with which the Organisation has elected to abide to. The FAC shall monitor NCST's compliance with all applicable laws, rules, codes and standards.

To support achievement of good corporate governance the FAC is committed to ensuring reciprocal accountability and balanced measurement.

Chairperson
Finance and Audit Board Committee

Secretaries (depending if it is a Finance or Audit Meeting) is not present for all or any part of the meeting, the DG shall ensure that minutes are prepared.

Minutes of the preceding meeting shall be confirmed at each meeting, which includes a review of the action items outstanding. The minutes shall be approved by the Chairperson.

Responsibilities

The FAC's responsibilities shall include:

Fiscal Management

- a) Jointly with the SAC ensure that NCST's Strategic Plan is aligned with Ministry of Education, Science and Technology Strategies and GoM priorities.
- b) Jointly with the SAC advise the Board on long and short term financial implications of NCST's strategic and operational plans.
- c) Oversee the annual budgeting process and preparation of annual work plans.
- d) Jointly with the SAC ensure that annual budgets and work plans are realistic, practical and are aligned to NCST Strategic Plan.
- e) Recommend NCST annual budget and annual work plans to the Board for approval.
- f) Facilitate the Board to present 3 (three) months before the NCST financial year end, the approved NCST annual budget and work plan to the Minister of Finance and Secretary to the Treasury.
- g) Approve any reviews/reallocations of the approved annual budget.
- h) Jointly with the SAC ensure NCST's resources are used economically, efficiently and effectively to achieve its mandate.
- i) Ensure the Secretariat has implemented processes and procedures to ensure transparency and accountability in the use of NCST resources.
- j) Formulate and review financial policies and procedures and recommend same to the Board for adoption.
- k) Jointly with the SAC review and monitor NCST's performance against benchmarks established by the Board.
- l) Review regular financial reports and provide advice to Board on financial management and resource allocations.
- m) Receive the annual financial reports and financial statement of the Science & Awards Fund and other project funds managed by NCST.
- n) Consider and make recommendations to the Board on any matters having significant financial impact on NCST.
- o) Monitor procurement issues of NCST and ensure compliance with the Procurement Act.
- p) Seek any information it requires from employees (all of whom are directed to cooperate with the Committee's requests) or external parties.
- q) Jointly with the AAC and the DG review the expertise, resources and experience of the Finance and Administration function.
- r) Exercise authority delegated to it by the Board and any other matters referred

discussed. At the discretion of the Chairman the HoFA may be requested not to take part in any considerations or discussions of the FAC.

Audit Meetings

The Head of Internal Audit (HIA) shall attend the FAC meeting where audit matters are being discussed. The DG and any other member of management shall have a standing invitation to attend audit meetings. This shall ensure the independence of the Internal Audit Function is protected by the FAC.

The HIA shall serve as the Secretary of the FAC where audit matters are being requested not to take part in any considerations or discussions of the FAC. discussed. At the discretion of the Chairman the HIA may be requested not to take part in any considerations or discussions of the FAC.

Closed door sessions

In line with governance best practice, the FAC shall hold at least two closed sessions:

- i) One meeting with management and without the Internal/External auditors in attendance; and
- ii) Another meeting with the Internal/External auditors without management in attendance.

Meeting Procedures

Agenda of FAC Meetings

The Chairperson of the FAC, in consultation with the members of the FAC, DG, HoFA and HIA, shall develop the FAC's agenda and decide the venue for the FAC meetings.

The FAC shall issue a schedule of standing agenda items (FAC Calendar) to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). This forward agenda shall also be shared with the Board for review to ensure its harmony with the Board's agenda

FAC Presentations

Meeting agendas and presentations on specific subjects shall be sent to the FAC Members two (2) weeks in advance. This shall enable the Members to prepare themselves well in advance in order to make the FAC meetings more effective. On those occasions in which the subject matter is extremely sensitive, the information may be presented for the first time at the meeting.

Quorum

Three quarters of the FAC members shall form the quorum of any meeting of the FAC.

FAC Decisions

The decision of the FAC on any matter before any meeting shall be that of the majority of the Members present and voting at the meeting. In the event of equal of votes, the person presiding shall have a casting vote.

FAC Minutes

Minutes shall be kept of the proceedings of every FAC meeting. If the respective

Authority

The Board has appreciated that Strategy, Risk, Performance Management and Sustainability are inseparable. The Board has therefore established an effective and independent FAC that has the mandate to oversee the following functions on behalf of the Board:

- i) Prudent and Responsible Financial Management: the FAC shall ensure that NCST has effective and efficient financial management systems.
- ii) Institutional Risk management: the FAC shall ensure that NCST has a robust Institutional Risk Management system to ensure that the Organisation minimizes on its risks and maximizes on its opportunities.
- iii) Compliance with Laws, Rules, Codes and Standards: the FAC shall ensure that systems are in place to ensure NCST is in compliance with the Constitution, Science Act, Finance Management Act, Audit Act, Procurement Act and other relevant laws & regulations, binding rules, codes and standards.

Powers of the FAC

The FAC shall have powers necessary to perform its functions and discharge its responsibilities effectively. This shall include but not limited to the following:

- i) To investigate any activity within its terms of reference.
- ii) To seek information from any employee.
- iii) To obtain outside legal or other professional advice.
- iv) To secure attendance of outsiders with relevant expertise, if it considers necessary.
- v) The Committee may form and delegate authority to subcommittees.

Objectives of the FAC

The main objective of the FAC is to assist the board in providing oversight over the financial, compliance and risk management policies and procedures. Specific objectives shall include but not limit to:

- a) Timely approval of documents by the NCST Board.
- b) Timely approval of documents by the Funders.
- c) Amicable working relationship with representatives of donors and funders.
- d) Effective budgeting for funds in accordance with established procedures.
- e) Effective financial policies in place and that these are implemented fully by

Management to ensure continuous operational improvement and achievement of financial goals, including adherence to policies of the funding partners. of financial goals, including adherence to policies of the funding partners.

- f) Effective decisions at the Board level as a result of adequate information in terms of periodic financial statements.
- g) Effective procurement procedures which demonstrate good stewardship over financial resources and that ensure value for money.
- h) Effective oversight over the Financial Audit process as a result of clear leadership provided to Management.
- i) Effective procedures of selecting and dismissing external auditors that inform the Board and the Council adequately.
- j) Effective procedures for determining the remuneration of external auditors.

Composition

FAC Size

Members of the FAC can consists of persons who are or are not Commissioners. A person to be appointed as a Member of the the FAC shall be chosen for their ability, experience, professional qualification and suitability for the appointment. Such persons shall hold office for such periods as the Board may determine.

The size of the FAC is determined by the Board. Generally, the Board at its first meeting following their appointment by the Minister and publication in the Gazette elects members of the FAC by a majority vote. Subsequently, the Chairperson, with consideration of the desires of individual Commissioners and after consultation with the Director General (DG), is responsible for assigning Commissioners to the FAC.

The Board through the Chairperson shall ensure as a whole, the FAC has sufficient qualifications and experience to fulfil its duties. Each member shall be both independent and financially literate. At least one member shall be designated as the “financial expert,” as defined by applicable legislation and regulation.

Board membership criteria set out in the Board Charter shall be used in the appointment of an individual as a member of the FAC, who is not a Commissioner. Membership is determined with a view to providing some continuity to the FAC.

FAC Chairperson and Vice Chairperson

The FAC shall be headed by an independent non-executive Chairperson who shall be elected by the Board. The Vice-Chairperson shall be elected by the FAC from among its Members.

Term Limit

A Member shall hold office for a period of three (3) years and shall be eligible for re-appointment for another three (3) year term. Members positions are not permanent. Members serve only as long as they add value to the FAC. A Member's ability to continue to contribute to the FAC is examined each time the Member is considered for re-appointment. The Office of a Member shall fall vacant as defined in the Board Charter.

Members serve only as long as they add value to the FAC. A Member's ability to continue to contribute to the FAC is examined each time the Member is considered for re-appointment. The Office of a Member shall fall vacant as defined in the Board Charter.

The FAC Structure is illustrated under *Appendix I*.

Functional Committees

The FAC may create functional/sub-committees at any time to perform specific tasks or responsibilities. Terms of reference, membership and reporting arrangements are to be specified at the time of establishing the sub-committee.

Meetings

Meeting Attendance

The FAC shall meet at least four (4) times a year, with authority to convene additional meetings (Extra-ordinary meetings) as circumstances may require. All FAC members shall be expected to attend each meeting in person. The Chairperson shall preside at the meetings.

Every Member shall attend at least 75% of FAC meetings in any financial year. On an annual basis the FAC Chairperson working with the Chairperson of the Board shall review the suitability of a Member who has failed to comply with the 75% attendance rule, without valid reason. The office of a Member shall fall vacant if s/he fails without valid reason to attend three consecutive meetings of the FAC of which s/he had notice.

No Member except an Ex-Officio, shall attend to the business of his office by representation. Where a Member is unable to attend any meeting of the FAC, s/he may request that his/her apologies for failure to attend be recorded.

Finance Meetings

Where NCST financial matters are being discussed by the FAC, Director General and Head of Finance & Administration (HOFA) shall attend the FAC meetings as members of management. At the discretion of the Chairperson, the FAC may meet at other times without the attendance of management. The FAC may also invite other members of management as it deems fit. Other Members of the Board may be invited to attend although this would be by exception.

The HoFA shall serve as the Secretary of the FAC where financial matters are being