

Terms of reference for auditor - SGCI PROJECT

1.0 Preamble

National Commission for Science and Technology has received a grant to run calls for research in two areas of national priority for socio- economic development, namely agricultural biotechnology and renewable energy. The calls will be run in collaboration with councils in neighbouring countries.

1.1 The specific objectives of the project are as follows:

1.1.1 Support management of research call and research in agricultural biotechnology through bilateral joint research proposals call by NCST Malawi and Research Council of Zimbabwe (RCZ) for researchers from two countries.

1.1.2 Support management of research call and research in renewable energy through trilateral joint research proposals call by NCST Malawi, Fundo Nacional de Investigacao (FNI) Mozambique and National Science and Technology Council (NSTC) Zambia for researchers from three countries and

1.1.3 Develop Research and Development (R & D) statistics for Malawi.

2.0 Audit engagement

2.1 Introduction

The National Commission for Science and Technology (Recipient) shall engage the services of an audit firm for the purpose of auditing as stipulated in the agreement thereafter called Grant Agreement between Recipient and IDRC. The audit shall be carried out in accordance with International Audit Standards issued by International Auditing and Assurance Standards Board (AASB).

2.2 Objectives and scope of the audit

The objective is to audit the financial report for the period set out in part 3 of the grant agreement as submitted to IDRC and to express an audit opinion according to ISA 800/805 on whether the financial report of the

recipient is in accordance with IDRC's instruction for financial reporting as stipulated in the grant agreement.

2.3 Areas to review according to agreed - upon procedures

According to agreed-upon procedures 'SRS 4400, review the following areas in accordance with the Terms of reference below

' Mandatory addition; ' assignments that must be included:

2.3.1 Follow up whether salary costs debited to the project are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation.

2.3.2 Examine whether the financial report includes a comparison, for every budget item. between the actual costs, 'expenditures of activities and the budgeted costs; expenditures as approved by ' DRC for the period.

2.3.3 Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient supporting documentation.

2.3.4 Examine whether foreign exchange gains, losses are disclosed as a separate item in the financial report as well as disclosed in accordance with what is stipulated in the agreement including appendices and generally accepted accounting principles.

2.3.5 The Recipient's compliance with the applicable tax legislation with regard to taxes (e.g. Pay As You Earn — PAYE) and social security fees.

2.3.6 Follow up whether the Recipient has adhered to its own procurement guidelines.

- 2.3.7 Review if outgoing balance for previous period is the same as incoming balance for the current period.
- 2.3.8 If the Recipient applies modified cash basis as accounting principle, the auditor shall describe used method and motivate whether the applied accounting principle is acceptable for this type of financial report.
- 2.3.9 Verify the unspent balance at the end of the reporting period against accounting records and its supporting documentation (e.g. bank statement and bank reconciliation).
- 2.3.10 Verify the unspent balance that shall be repaid to IDRC in the final report of the last agreement year.

2.4 Review and Audits

- 2.4.1 The National Commission for Science and Technology and thereafter called recipient acknowledges that International Development Research Centre (IDRC) thereafter called Centre requires annual external audits of Centre funds granted to the recipient, and any Centre funds further granted by the recipient to any sub recipients.
- 2.4.2 The audit shall be carried out by an external, independent and qualified auditor. The audit and report shall be conducted in accordance with International Audit Standards issued by International Auditing and Assurance Standards Board (IAASB) and with conditions set out in section 7.2 and part 6 of Grant Agreement
- 2.4.3 The auditor shall be selected by the Recipient and confirmed by email to the Centre by 5th April 2024. The email will validate estimated email costs submitted in the initial project budget. IDRC reserves the right to approve the recipient's selection of the auditor and may require that

the auditor be replaced if IDRC finds the auditor has not performed satisfactorily or if there is any doubt to the auditor's independence or professional standards.

- 2.4.4 The cost of the audit shall be paid by the recipient and shall be part of the project budget. The recipient shall ensure that the terms of reference for the audit are included in the agreement letter signed by the recipient and the auditor.
- 2.4.5 The auditor's report shall express an opinion whether the submitted annual financial report is in accordance the recipient's accounting records and section A15 of this agreement. The auditor shall also view additional areas during the audit if requested in terms of reference.
- 2.4.6 The auditor shall submit in accordance with the schedule set out in part three of the grant agreement, a management letter, which shall both significant and other audit findings and recommendations made during the audit process. It will also state which measures have been undertaken as a result of previous audit and whether measures taken have been adequate to deal with reported shortcomings.
- 2.4.7 A management response including an action plan regarding any findings shall be produced by the recipient and submitted to IDRC together with the financial report and the audit report including the management letter. The management response shall stipulate planned actions, a time frame for implementation as well as the function in charge of the implementation at the recipient.
- 2.4.8 Subject to the conditions outlined in section A27 of the grant agreement, the recipient shall in all agreements entered into with its sub recipients (as noted in section 2.4.1 above) include a provision that stipulates a requirement to carry out annual audits. These audits shall be carried out in accordance with ISA 800/805 for project support or in accordance with ISA 700 for core support including management letter and management response

or national standards on auditing if deemed equivalent to International Standards on Auditing. The recipient shall verify funds forwarded to other parties have been audited, and that the recipient has acted on the information that is on hand in the audit report. Substantial deficiencies shall be indicated in the report to IDRC. The selection of auditor and the terms of reference shall be approved in writing by recipient.

Alternatively, the recipient may use the same confirmed auditor to audit both the recipient and each sub recipient's activities. Separate reports are required for recipient and its sub recipient and the information and conditions outlined in the previous paragraph applies to all audits. The recipient must reflect a distinct budget line of audit expenses by recipient and sub recipients.

2.4.9 The recipient is responsible for ensuring adequate audit procedures at its sub recipient including as follows:

- Documented control of the auditor's independence and professional standards
- Documented control of whether audit reporting of from the auditor is in accordance with the agreement and
- Documented assessment of the auditor's reporting and adequate follow up of the received information.

2.4.10 the Centre may submit to other funding partners of this project audit report, management letter/audit memorandum and or management response prepared pursuant to this section, and the recipient hereby consent to the Centre doing so. The recipient shall acquire the same consent from all sub recipients.