



FINANCE, RISK AND AUDIT SUB-COMMITTEE TERMS OF REFERENCE (ToRS)

Malawi EITI National Secrétariat
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1.0 Background

The EITI in Malawi has been set up by the Multi-Stakeholder Group (MSG) to become an entry and anchor point of Malawi's strive to increase transparency and accountability in the extractive industry. The EITI Standard requires that the MSG should enhance transparency in the extractive industry by ensuring that the companies disclose their payments to Government, and the Government disclose its receipts.

The Malawi Government made a resolve to join the Extractive Industries Transparency Initiative (EITI) in 17 June 2014 when His Excellency the State President Prof. Arthur Peter Mutharika made a declaration during the State of the Nation Address.

Following this expressed commitment, in keeping with the EITI standards, the Minister responsible for Finance was appointed to champion EITI in Malawi and that Multi-Stakeholder Group (MSG) was formed in 2015. Since its formation, the MSG has since developed a roadmap and also made an application to EITI International Secretariat for Malawi's candidature status which was granted on 22nd October 2015 when the EITI Board met in Berne Switzerland. Currently, Malawi is working towards attaining a compliant status.

As MWEITI will be championing tenets of Good Governance of transparency and accountability, it has made a resolve to be congruent in its workings. For this reason, MWEITI has embraced good corporate governance by setting up structures of the MSG that would enhance public confidence. The MSG Committee, therefore, is one such structures.

2.0 Appointment and Composition of the Committee

2.1 The Finance, Risk and Audit Committee Sub-Committee shall comprise at least **Six members (6)** members being accounting and auditing professionals as follows:

- i. Three members; one from each MSG constituency;
- ii. One member being the head of finance or accounts from the Ministry of Finance, Economic Planning and Development; and
- iii. Malawi Revenue Authority (MRA)
- iv. Auditor General as ex-official

2.3 The MSG of MWEITI shall appoint the Sub-Committee chairperson who shall be a member of or accountable to the MSG. In the absence of the Sub-Committee chairperson at any meeting, the remaining members present shall elect one of their members to chair a meeting.

- 2.4 The Sub-Committee shall have direction to co-opt any member, as it sees fit, for the proper transaction of its business in the interest of MWEITI
- 2.5 The Project Accountant shall be the secretary to the Sub-Committee and the National Technical Manager shall be an ex-officio member of the Committee.

3.0 Responsibilities ,Duties and Tasks

The Sub-Committee shall be responsible of the following:-

3.1 Frequency of the Committee Meetings

The Sub-Committee shall meet at appropriate times in the reporting, audit and reconciliation cycle and at such other times as the members of the committee shall require.

3.2 Notice of Committee Meetings

- 3.2.1 Meetings of the committee shall be called by the secretary of the Sub-Committee.
- 3.2.2 Unless otherwise agreed, notice of each Sub-Committee meeting confirming the venue, date and time, together with an agenda of items to be discussed, shall be forwarded to each member of the Sub-Committee and any other person required to attend, no later than five (5) working days before the date of the meeting. Supporting board papers shall be sent to Sub-Committee members and to other attendees as appropriate, at the same time.

3.3 Minutes of Sub-Committee Meetings

- 3.3.1 The Secretary shall minute the proceedings and resolutions of all Sub-Committee meetings, including the names of those present, in attendance and any absentees and apologies.
- 3.3.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 3.3.3 Minutes of Sub-Committee meetings shall be circulated in draft form within seven days to all committee members.

3.4 Financial reporting

3.4.1 The Committee shall monitor the integrity of the financial statements of MWEITI, including its annual and quarterly financial reports, reviewing significant financial reporting issues and judgments which they contain.

3.4.2 In particular, the Sub-Committee shall review and challenge where necessary:-

3.4.2.1 The consistency of, and any changes to, accounting policies both on a year on year basis;

3.4.2.2 The methods used to account for significant or unusual transactions where different approaches are possible;

3.4.2.3 Where the MWEITI has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;--- not clear

3.4.2.3 The clarity of disclosure in the MWEITI's financial reports and the context in which statements are made.

3.5 Internal Controls

3.5.1 Keep under review the adequacy and effectiveness of the MWEITI's internal financial and internal control systems; and

3.5.2 Review and approve the statement to be included in the annual report concerning internal controls.

3.6 Compliance, Whistle-blowing and fraud

3.6.1 Review the adequacy and security of the MWEITI's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

- 3.6.2 Review the MWEITI's procedures for detecting fraud; and
- 3.6.3 Review the MWEITI's systems and controls for the prevention of liberty and receive reports on non-compliance.

3.7 Internal Audit

- 3.7.1 Monitor and review the effectiveness of the MWEITI's internal audit function in the context of the MWEITI's overall risk management system;
- 3.7.2 Approve the appointment and removal of the internal auditor;[may be the Sub-Committee can Serve as Internal Auditor considering that the secretariat is still too small]
- 3.7.3 Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Sub-Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 3.7.4 Review and assess the adequacy of the annual internal audit plan;
- 3.7.5 Review reports addressed to the Sub-Committee from the internal auditor;
- 3.7.6 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor and;

3.8 External Audit

- 3.8.1 Consider and make recommendations to the MSG, for approval at the meeting, in relation to the appointment, re-appointment and removal of the external auditor. The Sub-Committee shall oversee the selection process for a new auditor ;
- 3.8.2 Oversee the relationship with external audit including but not limited to:-
 - i. Recommendations of their remuneration, whether the level of fees for audit and non audit services is appropriate to enable an adequate audit to be conducted;
 - ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- iii. Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - iv. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the MWEITI other than in the ordinary course of business;
 - v. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the MWEITI compared to the overall fee income of the firm, office and partner and other related requirements;
 - vi. Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
 - vii. Seeking to ensure co-ordination with the activities of the internal audit function
- 3.8.3 Meet regularly with the external auditors including once at the planning stage before the audit and once after the audit at the reporting stage. The Sub-Committee shall meet the external auditor at least once a year to discuss the auditor's remit and any issues arising from the audit;
- 3.8.4 Review and approve the annual audit and ensure that it is consistent with the scope of the audit;
- 3.8.5 Review the findings of the audit with the external auditor. This shall include but not be limited to the following:-
- i. A discussion of any major issues which arose during audit;
 - ii. Any accounting and audit judgments;
 - iii. Levels of errors identified during the audit;
 - iv. The effectiveness of the audit
 - v. Review any representation letter(s) requested by the external auditor before they are signed;
 - vi. Review the management letter and management's response to the auditor's findings and recommendations;

- vii. Develop and implement a policy on the supply of non-audit by the external auditor, taking into account any relevant ethical guidance on the matter.

3.9 Independent Administrator

3.9.1 Consider and make recommendations to the MSG, for approval at the meeting, in relation to the appointment, re-appointment and removal of the Independent Administrator. The Sub-Committee shall oversee the selection process for a new Independent;

3.9.2 Oversee the relationship with Independent Administrator including but not limited to:-

- i. Recommendations of their remuneration, whether the level of fees for reconciliation is appropriate to enable an adequate reconciliation to be conducted;
- ii. Approval of their terms of engagement, including any engagement letter issued at the start of each reconciliation and the scope of the reconciliation;
- iii. Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the Independent Administrator as a whole, including the provision of any non reconciliation services;
- iv. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Independent Administrator and the MWEITL other than in the ordinary course of business;
- v. Monitoring the Independent Administrator's compliance with relevant ethical and professional guidance on the rotation of Independent Administration Team Leader, the level of fees paid by the MWEITL compared to the overall fee income of the firm, office and Independent Administrator and other related requirements;
- vi. Assessing annually the qualifications, expertise and resources of Independent Administrator and the effectiveness of the audit process and reconciliation processes, which shall include a report from the Independent Administrator on their own internal quality procedures; and

- 3.9.3 Meet regularly with the Independent Administrator, including once at the planning stage before the reconciliation and once after the reconciliation at the reporting stage.
- 3.9.4 Review and approve the annual reconciliation plan and ensure that it is consistent with the scope of the audit or reconciliation engagement;
- 3.9.5 Review the findings of the reconciliation with Independent Administrator. This shall include but not be limited to the following:-
- i. A discussion of any major issues which arose during reconciliation;
 - ii. reconciliation adjustments;
 - iii. Levels of errors identified during the reconciliation; and
 - iv. The effectiveness of the reconciliation
 - v. Review any representation letter(s) requested by the Independent Administrator from companies and government before they are signed;
 - vi. Review the management letter and management's response to the Independent Administrator's findings and recommendations;
 - vii. Develop and implement a policy on the supply of non-audit non-reconciliation services by the Independent Administrator, taking into account any relevant ethical guidance on the matter.
 - viii. reviewing templates for reconciliation

4.0 Tenure of office

Members of the committee shall be appointed by the MSG for a period of **three (3)** years, which may be extended for another three-year term

5.0 Accountability, Responsibility and Reporting

- 5.1 The Sub-Committee shall be responsible to the MSG, as the appointing authority, and shall in that regard be accountable and answerable to it through the Chairperson of the MSG.
- 5.2 The Sub-Committee Chairperson shall submit to the MSG quarterly reports on the progress being made by the Communication and Engagement Committee.

- 5.3 Meetings of the Sub-Committee shall be convened quarterly. The Sub-Committee may also hold extraordinary meetings when need arises. Documents may be approved by email or online forum.
- 5.4 The MSG may decide to demand progress of the Sub-Committee.

APPROVED BY MSG