

## FINANCE AND AUDIT COMMITTEE TERMS OF REFERENCE



### COMMUNITY EMPOWERMENT FOR CREATIVE INNOVATION (CECI UGANDA)

#### **Endorsed on:**

The Terms of Reference (ToR) for the Finance and Audit Committee (FAC) set out in this document were deliberated by all board members and adopted at the End-of-Year (Q4) Meeting of the Board of the Organisation on **December 31, 2021**.



## **FINANCE AND AUDIT COMMITTEE TERMS OF REFERENCE (TOR)**

Primary responsibility for the financial reporting, accounting systems, risk management, management plans and budgets, internal controls, and treasury of CECI is vested in CECI's management and overseen by the Board of Directors.

### **1. PURPOSE**

The purpose of the Finance and Audit Committee is to assist the Board in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls and risk management, and when required, to make recommendations to the full Board for approval.

In the process of overseeing CECI's audit procedures, the Finance and Audit Committee will have unrestricted access to CECI's personnel and documents and will be provided with the resources necessary to carry out its responsibilities, including the authorizations to engage independent counsel and other advisors.

### **2. COMPOSITION AND QUORUM**

The Finance and Audit Committee is composed of up to three appointed Board Members.

Non-Members may only attend Committee meetings upon the approval of the Committee chair.

The Board, on the recommendation of the Board Chair, appoints the Committee members and chair.

The committee should be independent and financially literate. At least one member of the Committee should have a financial designation or relevant financial management expertise. A majority of members of the Committee constitute a quorum.

### **3. ACCOUNTABILITY TO THE BOARD**

The Committee has no authority to direct CECI's management or to commit CECI unless specifically authorized by the Board through the Committee Terms of Reference or otherwise.

### **4. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Finance and Audit Committee will perform the following duties.

#### **4.1 Financial Planning**

The Committee:

- a) reviews and make recommendations to the Board in respect of:
  - i) financial plans and budgets forwarded to the Board for approval;
  - ii) the appropriateness and validity of any material assumptions and estimates used in the preparation of such plans or budgets;
  - iii) the consistency of the plans and budgets with policies, objectives, and initiatives approved by the board;
  - iv) the consistency of the financial plans and budgets with any other financial data;

- v) any significant assumptions, forecasts, targets, or performance goals used by the management in the preparation of the financial plans and/or budgets; and
- b) ensures the board receives on a timely basis meaningful financial information regarding CECI's current financial status and up-to-date forecasts required to make decisions.

## 4.2 Financial Reporting

The Committee:

- a) reviews CECI's annual financial statements to ensure they are fairly presented in all material respects in accordance with generally accepted accounting principles.
- b) reviews all public reporting by CECI to ensure that it represents a complete, accurate, and balanced picture of CECI's performance and financial situation.
- c) reviews the financial statements and reports and recommends their approval or disapproval to the Board; the Committee will provide an explanation if it cannot recommend approval.
- d) discusses with the management and with the External Auditor:
  - i) all proposed changes in accounting policy and procedures;
  - ii) the import and presentation of all large risks or uncertainties;
  - iii) compliance with accounting standards;
  - iv) adjustments arising out of the audit process and related party transactions; and
  - v) all estimated or judgments of the management that may be material to financial reporting;
- e) discusses with the management and the External Auditor significant financial reporting, record or presentation issues discussed during the fiscal period and the manner of their resolution; and
- f) examines the audited annual financial statements in conjunction with the reports of the External Auditor, which may include determining whether the statements:
  - i) properly reflect the significant accounting policies selected;
  - ii) reflect estimates and other financial statements elements that are reasonable and consistent;
  - iii) adequately disclose all major transactions and issues;
  - iv) disclose all post-year-end significant events; and
  - v) are understandable, relevant, reliable, and comparable
- g) reviews and recommends to the Board approval of the:
  - i) annual audited financial statements;
  - ii) management discussion and analysis that accompanies the audited financial statements; and

iii) significant financial reports.

#### **4.3 External Audit**

The Committee:

- a) recommends to the Board the appointment of the External Auditor;
- b) determines whether the performance of the External Auditor is satisfactory, effective, and meets the requirements of CECI;
- c) reviews all issues related to any change in External Auditor and the planned steps for an orderly transition;
- d) confirms the independence of the External Auditor;
- e) reviews the terms of the External Auditor's engagement, and the appropriateness and reasonableness of the proposed fees;
- f) reviews and recommends to the Board the amount of fees paid to the External Auditor;
- g) reviews and recommends to the Board the audit plan with the External Auditor and the management;
- h) determines whether the management has provided full and open disclosure to the External Auditor's inquiries;
- i) reviews problems experienced by the External Auditor in performing the audit, including any restrictions imposed by the management and all significant accounting issues on which there was a disagreement with senior leadership;
- j) reviews the post-audit opinion letter containing the recommendations of the External Auditor and reviews the management's response and subsequent follow-up to any significant identified weaknesses; and
- k) reviews and approves the provision of non-audit services provided by the External Auditor.

The Committee shall meet with the External Auditor at least annually, including meeting *in private* with the External Auditor at least annually or as requested. The Committee shall permit the External Auditor to attend Committee meetings on requested.

#### **4.4 Accounting Systems and Internal Controls**

The Committee:

- a) through discussion with the management and the External Auditors, obtains reasonable assurances that CECI has implemented appropriate systems of internal control:
  - i) over financial reporting, information technology, data security and protection of personal information and privacy, and that these systems are operating effectively;
  - ii) to ensure compliance with its policies and procedures that these systems are operating effectively; and
  - iii) to identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively;

- b) reviews with counsel on at least an annual basis any legal matters that could have a significant impact on CECI's financial statements, and to ensure compliance with legal and regulatory requirements;
- c) reviews the evaluation of internal controls by the External Auditor, including any recommendations for improvement of CECI's accounting procedures and internal controls, together with senior leadership's response; and
- d) directs the External Auditor's examinations to particular areas of concern with respect to internal controls

#### **4.5 Internal Audit**

The Committee:

- a) reviews and approves the terms of an Internal Auditor's engagement;
- b) reviews and approves the Internal Audit plan;
- c) ensures the internal Auditor's approach to risk and internal controls are appropriate;
- d) determines whether the performance of the Internal Auditor is satisfactory, effective, and meets the requirements of CECI;
- e) ensures there are adequate resources for the Internal Auditor in performing its functions, including any restrictions imposed by the management and all significant difficulties or disagreements with the management; and
- f) meets with the Internal Auditor *in private* at least annually.

#### **4.6 Risk Management**

The Committee:

- a) leads the Board's oversight of CECI's risk management;
- b) understands the material risks to CECI;
- c) reviews CECI's risk management controls and policies and seeks input and assistance from other Board Committees as appropriate;
- d) obtains reasonable assurance that the management's systems to eliminate or manage these risks are effective;
- e) receives regular reports on the management of material risks to CECI;
- f) annually reviews CECI's insurance coverage of material business risks and uncertainties; and
- g) reviews CECI's disaster recovery plans.

#### **4.7 Material Litigation**

The Committee reviews and advises the Board with respect to:

- a) Management's assessment of material litigation risks; and
- b) the adequacy of provisions and estimates made in financial information including the financial statements relating to material litigation issues.

As appropriate, the Committee may request that legal representatives attend Committee meetings to review significant litigation risks without the management in attendance and may engage independent counsel and other advisors as required

#### **4.7 Compliance**

The Committee:

- a) confirms the appropriate policies and procedures are in place for monitoring compliance with applicable laws and ascertains their adequacy and the levels of compliance;
- b) advises the Board on any new or pending developments in accounting and/or reporting standards;
- c) reports to the Board all financial matters of which the Committee has knowledge that may materially affect the current or future position of CECI; and
- d) reviews such other matters that the Committee or the Board deems advisable or timely.

#### **4.8 MEETINGS**

The Committee meets at least four times per year. Additional meetings may be held as deemed necessary by the Committee chair or as requested by any two Committee members or the External Auditor.

#### **4.9 REPORTING**

The Committee reports to the Board by providing a high-level summary of the Committee's activities at the next Board meeting. The summary details what the Committee has been working on (since it last reported to the Board), what the Committee is bringing forward for discussion or approval, and key issues that the Committee is focused on.

#### **5.0 STAFF SUPPORT**

The Financial and Admin Officer provides staff support to the Finance and Audit Committee. Corporate secretarial resources shall be provided to the Committee.

#### **5.1 EXTERNAL ADVISORS**

The Committee may engage independent advisors at the expense of CECI when it deems necessary, subject to the approval of the Board Chair.

#### **5.2 RESPONSIBILITY FOR POLICY REVIEW**

The Committee has responsibility to review at least every two years, and more frequently if necessary (e.g., based on legislative changes or a development in governance best practices) the following Board and Board-approved organizational policies:

##### **5.2.1 Board Policies**

- a. Finance and Audit Committee Terms of Reference
- b. Board Governance and procedures

##### **5.2.2 Board-Approved Organizational Policies**

- a. Finance Policy and Procedures
- b. Procurement and Disposal Policy
- c. Asset management policy
- d. Anti-corruption and fraud policy
- e. Resource mobilization strategy

### 5.3 **COMMITTEE CALENDAR OF ACTIVITIES**

The committee, led by the committee chair, has the responsibility to develop a calendar of activities for the Finance and Audit Committee, subject to the approval of the board chair.



