



**MEDICINES CONTROL AUTHORITY OF
ZIMBABWE**

AUDIT COMMITTEE


TERMS OF REFERENCE

MEDICINES CONTROL AUTHORITY OF ZIMBABWE

AUDIT COMMITTEE

TERMS OF REFERENCE

Reviewed by:


Internal Auditor

13/10/2021
Date

Approved by:


Audit Committee Chairperson

20/10/2021
Date

Authorised by:


Authority Chairperson

20/10/2021
Date

1.0 INTRODUCTION

- 1.1 In line with the requirements of section 103 of the first schedule of the Companies Act (Section 24:03), section 11 of the Medicines and Allied Substances Control Act (Chapter 15:03), section 84 of the Public Finance Management Act (Chapter 22:19), the Corporate Governance Framework for Parastatals and State Enterprises and the Public Entities Corporate Governance Act, Medicines Control Authority of Zimbabwe (“the Authority”) resolved to establish a statutory Committee of the Board known as the Audit Committee (“the Committee”).
- 1.2 Neither the appointment nor the duties of the Committee shall reduce the functions and duties of the Authority, except with respect to the appointment, fees and terms of engagement of the External Auditor of the Authority.
- 1.3 These terms of reference are subject to the provisions of the Companies Act, the Medicines and Allied Substances Control Act, the Public Finance Management Act and all applicable laws, regulations and frameworks.

2.0 PURPOSE / ROLE OF THE COMMITTEE

- 2.1 The Committee’s role is to act on behalf of the Authority to review all material aspect of the principles, policies and practices adopted in the preparation of the financial statements of the Authority and to ensure that the financial statements and any other formal announcements relating to the Authority’s financial performance comply with all statutory and regulatory requirements and oversee the governance, risk management, control processes and audit functions.
- 2.2 The Committee shall also review the work of the Authority’s External Auditors and the Internal Auditors to ensure the adequacy and effectiveness of the Authority’s financial, operating, compliance and risk management controls.
- 2.3 The Committee’s role includes a particular focus on the qualitative aspects of financial reporting, organization processes for the management of risk, effectiveness of internal controls, corporate governance and compliance with significant, applicable tax, legal, ethical, and regulatory requirements.
- 2.4 The role also includes coordination with other Authority Committees and maintenance of strong, positive working relationships with Management, External and Internal Auditors and other consultants.
- 2.5 In addition to the above, the Committee shall perform all the functions required in law to be performed by an Audit Committee.

3.0 AUTHORITY

- 3.1 The Committee acts in accordance with its statutory duties and the delegated authority of the Authority as recorded in this terms of reference and will be accountable to the Authority and other stakeholders.
- 3.2 The Committee is authorized by the Authority to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee of the Authority and all employees are directed to co-operate with any request made by the Committee. Such requests will be channeled through the Authority’s Director-General.

Handwritten signature and initials in blue ink.

- 3.3 The Committee is authorized by the Board to obtain outside legal, financial, accounting or other independent professional advice as it considers necessary to carry out its duties and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. It may also, if deemed necessary by the Chairperson, meet with the External Auditors or the Internal Auditors without any member of Management of the Authority in attendance.
- 3.4 The Chairperson (or, in his/her absence, an alternate member) of the Committee shall attend the Annual General Meeting to answer questions concerning matters falling within the ambit of the Committee.

4.0 COMMITTEE MEMBERSHIP AND QUORUM

- 4.1 The Committee shall be comprised of a minimum of (5) members.
- 4.2 The Authority shall appoint a Chairperson from the Authority members to chair the Committee.
- 4.3 In the absence of the Chairperson, a Committee member who is also a member of the Authority shall chair the meeting.
- 4.4 The Authority may appoint other individuals with required and relevant qualifications, experience and skills to be members of the Committee who are not members of the Authority as provided for in Section 4. b (ii) of the Medicines and Allied Substances Control Act.
- 4.5 Each Committee member will be independent.
- 4.6 The Authority should periodically review the mix of experience and skills of members to maintain an appropriate balance. Each member should be capable of making valuable contribution to the Committee.
- 4.7 At least one member of the Committee shall have recent and relevant expertise in financial reporting ideally with a professional qualification from one of the professional accountancy bodies.
- 4.8 The members of the Committee must collectively have sufficient qualifications and experience to fulfill their duties, including an understanding of the following:
- 4.8.1 Financial and sustainability reporting;
 - 4.8.2 Internal financial and operational controls;
 - 4.8.3 External audit process;
 - 4.8.4 Internal audit process;
 - 4.8.4 Corporate law;
 - 4.8.5 Sustainability issues;
 - 4.8.6 Information technology governance; and
 - 4.8.7 Corporate governance.
- 4.9 A quorum of fifty percent (50%) plus one member must be present before a meeting may commence.
- 4.10 Decisions of the Committee shall be decided by a majority of the members present provided that no member shall abstain from any vote taken.
- 4.11 The Legal Manager or his or her nominee shall act as the Committee Secretary.

5 CEASATION OF COMMITTEE MEMBERSHIP

- 5.1 Members will cease to be members of the Committee if they:
 - 5.1.1 Resign from the Committee
 - 5.1.2 Fail to attend three (3) consecutive meetings without providing apologies to the Chairperson.
 - 5.1.3 Breach confidentiality.
 - 5.1.4 Become mentally or physically incapable of efficiently performing his or her duties.
 - 5.1.5 Found guilty of an improper conduct or
 - 5.1.6 Disqualified in terms of section six (6) of the Medicines and Allied Substances Control Act (Chapter 15:03).

6 ATTENDANCE OF MEETINGS

- 6.1 Only members of the Committee have the right to attend Committee meetings.
- 6.2 The Internal Auditor shall have a standing invitation to the Committee meetings.
- 6.3 Other individuals such as the Authority Chairperson, the Director-General, Head of Finance and other Senior Management may be invited to attend all or part of any meeting as and when appropriate.
- 6.4 Suitably qualified persons may be invited to attend meetings of the Committee when necessary to render such specialist services and advice as may be necessary to assist the Committee in its deliberations on any particular matter.
- 6.5 No invited attendee shall have a vote at the meetings of the Committee.

7 RESPONSIBILITIES OF THE AUDIT COMMITTEE CHAIRPERSON

- 7.1 The Chairperson's responsibilities include:
 - 7.1.1 Guiding the meeting according to the agenda and time available;
 - 7.1.2 Inviting specialists through the office of the Director-General to attend meetings when required by the Committee;
 - 7.1.3 Ensuring all discussion items end with a decision, action or definite outcome; and
 - 7.1.4 Review and approve the draft minutes before distribution.

8 SECRETARIAT

- 8.1 The Secretariat to the Committee includes the Legal Manager and the Internal Auditor. The role of the Secretariat is to:
 - 8.1.1 Prepare agendas and issuing notices for meetings, and ensuring all necessary documents requiring discussion or comment are attached to the agenda.
 - 8.1.2 Distributing the agenda to all Committee members one week prior to the meeting.
 - 8.1.3 Taking notes of proceedings and preparing minutes of meetings.

9 COMMITTEE OPERATING PRINCIPLES AND FREQUENCY OF MEETINGS

- 9.1 The Committee shall fulfill its responsibilities within the context of the following overriding principles:
- 9.1.1 The Chairperson and other Committee members shall, to the extent appropriate, maintain an open avenue of contact throughout the year with the Authority Chairperson, the Director General, the Head of Finance, other Senior Management, other Committee Chairpersons, and other key Committee advisors (External and Internal Auditors, etc), as applicable, to strengthen the Committee's knowledge of relevant current and emerging organizational issues.
 - 9.1.2 The Committee shall meet at least quarterly (four times) a year. Additional meetings shall be scheduled as considered necessary by the Board, the Committee, or the Chairperson of the Committee.
 - 9.1.3 Quarterly meetings shall be scheduled in advance as part of the annual corporate calendar of the Authority. In addition, special meetings may be called as and when required with reasonable notice, to the extent possible.
 - 9.1.4 The Committee Secretary shall take minutes of meetings. The Committee Secretary shall record the issues, the salient features pertaining to the issues and the decisions of the Committee. The minutes will be formally approved by the Committee at its next scheduled meeting.
 - 9.1.5 The Committee, through the Committee Chairperson, shall report quarterly to the Board or whenever necessary.

10 COMMITTEE RESPONSIBILITIES

The Committee's responsibilities shall be the following;

10.1 Financial Reporting

- 10.1.1 Review significant accounting and reporting issues, including complex or usual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- 10.1.2 Assess the appropriateness of accounting policies and practices employed in preparation of the accounts and any changes proposed by Management and Auditors.
- 10.1.3 Review with Management and the Auditors the results of audits, including any difficulties encountered.
- 10.1.4 Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- 10.1.5 Understand how Management develops interim financial information, and the nature and extent of Internal and External Auditor involvement.
- 10.1.6 Resolve any disagreements between Management, the External Auditor and/or the Internal Auditor regarding financial reporting;
- 10.1.7 Consider with the Internal and External Auditors any fraud, illegal acts, deficiencies in the internal controls or other similar issues;
- 10.1.8 Review any legal matters, which could impact the financial statements.



10.2 Risks Management Process

- 10.2.1 Provide the policy and framework for an effective system of risk management, and provide the mechanisms for periodic assessment of the system of risk management, including risks of the information systems, and operational risks;
- 10.2.2 Review and assess the organization's operating and financial risk management process, including the adequacy of the overall control environment and controls in selected areas representing significant risk;
- 10.2.3 Oversee all consultants and experts that make recommendations concerning the risk management structure and internal control structure.
- 10.2.4 Obtain updates on Management's assessment of the business risk the Authority is facing and its planned response to mitigate or control the risks.

10.3 Oversight on the System of Internal Control

- 10.3.1 Provide the policy and framework for an effective system of internal controls, and provide the mechanisms for periodic assessment of the system of internal controls, including information systems;
- 10.3.2 Review and assess the organization's system of internal controls for detecting accounting and financial reporting errors, fraud, legal and tax violations, and noncompliance with the organization's code of conduct. In that regard, review the related findings and recommendations of the External and Internal Auditors, together with Management's responses;
- 10.3.3 Evaluate whether Management is setting the appropriate tone at the top by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities;
- 10.3.4 Consider the effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control;
- 10.3.5 Consider how Management has reviewed the adequacy of controls surrounding electronic data processing and computer security, including the contingency plan for processing financial information in the event of a system breakdown.
- 10.3.6 Focus on the extent to which Internal and External Auditors review computer systems and applications, and the security of and contingency plans for such systems and applications;
- 10.3.7 Understand the scope of Internal and External Auditors' review of internal control over financial reporting, obtain reports on significant findings and recommendations, together with Management's responses thereto and gain an understanding of whether internal control recommendations have been implemented by Management;
- 10.3.8 Ensure that the Internal and External Auditors keep the Committee informed about fraud, illegal acts, deficiencies in internal control and other pertinent matters.

10.4 Oversight on Internal Audit

- 10.4.1 Review with the Director-General and the Internal Auditor the Charter, plans, activities, staffing and organizational structure of the Internal Audit Unit.
- 10.4.2 To ensure that the Internal Audit function is adequately and appropriately resourced and has the appropriate authority and status within the Authority,

and is equipped to perform in accordance with the standards for the Professional Practice of Internal Auditing.

- 10.4.3 Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement or dismissal of the Internal Auditor;
- 10.4.4 Review the independence and effectiveness of Internal Audit function, including compliance with the institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing;
- 10.4.5 On a regular basis, meet separately with the Internal Auditor to discuss any matters that the Committee or Internal Audit believes should be discussed in private;
- 10.4.6 Review with Internal and External Auditors the co-ordination of effort to ensure completeness of coverage, prevent duplication of effort, and promote the effective use of audit resources;
- 10.4.7 Ensure that significant findings and recommendations made by Internal Auditors are received and discussed on a timely basis, with a report to the Committee at least once every quarter;
- 10.4.8 Ensure that Management responds to findings and recommendations by the Internal Auditors within the time periods specified by the Internal Auditor.
- 10.4.9 Review the adequacy of actions taken by Management to address issues raised by the Internal Auditors.

10.5 Oversight of the External Auditors

- 10.5.1 Review the External Auditors' proposed audit scope and approach, including coordination of the audit effort with Internal Audit plans to ensure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
- 10.5.2 Review the performance of the External Auditors, and exercise final approval on the appointment or discharge of the Auditors;
- 10.5.3 Review and confirm the independence of the External Auditors by obtaining statements from the Auditors on relationships between the Auditors and the company, including non-audit services, and discussing the relationship with the Auditors;
- 10.5.4 On a regular basis, meet separately with the External Auditors to discuss any matters that the Committee or the Auditors believe should be discussed privately;
- 10.5.5 Discuss and review, with the External Auditors before the audit commences the Auditor's engagement letter, audit plan and the audit fee;
- 10.5.6 Review overall audit role, to explore objectives, minimize duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- 10.5.7 Ensure that significant findings and recommendations made by the External Auditors are received and discussed on a timely basis;
- 10.5.8 Ensure that Management responds to recommendations made by External Auditors.



10.6 Governance

- 10.6.1 Together with External and Internal Audit, to review developments in Corporate Governance and best practice and consider their impact and implication for Authority processes and structures.
- 10.6.2 To consider the disclosure about the role of the Committee to be included in the Annual Report.
- 10.6.3 Annually to review and, if appropriate, update the Committee's own terms of reference, subject to Authority approval for all changes.
- 10.6.4 To consider any legal matters that could have significant impact on the Company's financial statements.
- 10.6.5 To review and report to the Board on the Authority's compliance with the Companies Act, Medicines and Allied Substances Control Act, the Public Finance Management Act, The Corporate Governance Framework for State Enterprises and Parastatals, the Public Entities Corporate Governance Act and applicable and relevant laws and regulations.

11 PERFORMANCE EVALUATION

The Audit Committee shall be subject to performance evaluation as provided for in the Authority's Board Charter.

12 CONFIDENTIALITY

- 12.1 The members of the Committee shall not divulge any information for any purpose other than for the discharge of their obligations as members of the Committee and;
- 12.2 Members of the Committee shall not communicate the deliberations and findings of the Committee, as well as any recommendations to and/or decisions of the Committee except as provided for by the applicable and relevant laws and regulations.

13 CONFLICT OF INTEREST

- 13.1 The members of the Committee shall disclose any direct or indirect pecuniary interest that they or their spouses have, or are likely to have, which may conflict with their duties as members of the Committee and;
- 13.2 Members of the Committee shall not take any part in the consideration or discussion of, or vote on, any issues before the Committee which relate to any matter in which they or their spouses have, or are likely to have, direct or indirect interest.

