

# Strengthening Common Management Unit for AIDS, TB & Malaria and Accelerating Response to control the three diseases in Pakistan

## Terms of Reference Internal Audit Committee

### 1) ORGANIZATIONAL RELATIONSHIPS:

**Direct Reports to:** Chairman Country Coordinating Mechanism (CCM)

*The Internal Audit Committee Terms of Reference outline the purpose, objectives, responsibilities, and operations of the Internal Audit Committee, hereafter referred to as the Committee.*

*The purpose of the Committee is to provide a centralized governance and oversight function for the Common Management Unit ("CMU" or "the Unit") working under the Government of Pakistan at national and provincial level to control AIDS, TB and Malaria. The Committee will ensure formal and transparent arrangements are in place to apply financial reporting, risk management and internal control principles, and maintain an appropriate relationship with the auditors.*

### 2) GENERAL OBJECTIVES:

The Internal Audit Committee has the following key objectives:

- Risk assessment and management: Ensure that appropriate policies for risk management and mitigation have been set for CMU. The Committee will scrutinize the CMU Disease Programs and make sure regularly that appropriate processes are functioning effectively to monitor the risks the CMU is exposed to. Further, it will evaluate that the internal control system is effective in reducing those risks to an acceptable level.
- Evaluation of internal controls: Evaluate the soundness of internal control systems and processes in place at national and provincial CMU level. This goes beyond the financial reporting process and encompasses the system of risk and control associated with other areas such as operational matters and compliance with laws and regulation related to healthcare.
- Financial oversight: Monitor the integrity of the financial reporting processes at the CMU, and any formal announcements relating to its financial performance. The Committee will also review significant financial reporting judgements and issues.
- Internal audit planning and execution: Involved in developing annual internal audit plans, goals and mission, to be certain of its proper role in the oversight function. The Committee will ensure that the internal audit function has adequate resources and access to information to enable it to fulfil its mandate.
- Information and communication: Ensure that the information is identified, captured and communicated in a timely manner and in a form that enables people to carry out their responsibilities. It also includes ensuring efficiency of the reporting process from all areas including internal/ external audit.
- Independence and objectivity: Review and monitor on annual basis the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- Stakeholder engagement: Collaborate with key stakeholders including Chairman CCM, national coordinators, deputy national coordinators of the CMU, and the senior management of CMU Programs to engage in open and constructive dialogue and support decision-making process.

It should be remembered that the internal audit committee is not a body that makes binding decisions in its own right: the Committee exists exclusively to assist the Country Coordinating Mechanism (CCM) in discharging its responsibilities.

### 3) KEY ROLES AND RESPONSIBILITIES

# Strengthening Common Management Unit for AIDS, TB & Malaria and Accelerating Response to control the three diseases in Pakistan

The following outlines the roles and responsibilities of the Internal Audit Committee:

## A. Oversight of the financial reporting system, risk management and internal control systems

- Oversee the accounting and financial reporting process of the three programs of CMU;
- Review the financial and accounting policies and practices adopted by the CMU and its Programs for the preparation of their financial statements. Provide guidance and support to management on financial reporting matters;
- Monitor the effectiveness of internal audit function and review the progress of internal audits ensuring their independence, adequacy, and effectiveness;
- Review the adequacy and effectiveness of financial controls, the risk management and internal control systems of the three programs at CMU to determine programmatic performance;
- Evaluate the programmatic performance and co-relate it with the financial performance of the three disease programs under CMU;
- Hold meetings to discuss the risk management and internal control systems with the members of CMU to ensure that management of the Programs has performed its duty to have effective systems;
- Ensure compliance of CMU programs with policies and regulations for public healthcare such as the health laws in Pakistan;
- Review the internal and external audit reports, including major findings and recommendations, and issue instructions to the CMU for compliance with audit recommendations. Also, monitor the progress of their implementation;
- Arrange meetings with the National/ Deputy National Coordinator(s) of CMU to highlight the areas of concern, identified from audit reports and propose effective solutions;
- Report to the Chairman Country Coordinating Mechanism (CCM) on areas of concern relating to financial control, risk management practices and internal control;
- Conduct a comprehensive assessment of program implementation effectiveness and efficiency, ensuring the achievement of desired outcomes and the appropriate utilization of financial, human, and other resources as outlined in the work plan and in alignment with the available budget from local and international sources; and
- Ensure co-ordination between the internal and external auditors of the CMU Programs and the Global Fund.

## B. Relationship with the auditors

- Review and approve the internal audit charter, which outlines the scope, authority, and responsibilities of the internal audit function;
- Assess the annual internal audit plan, ensuring it aligns with the CMU's objectives and priorities. Evaluate the cost-benefit analysis of resources allocated to internal audit activities;
- Seek appropriate inquiries from the Chief Audit Officer to determine any scope or resource limitations and address such concerns in a timely manner;
- Regularly assess the adequacy of the internal audit department's staff strength and capabilities. Identify any deficiencies or skill gaps and recommend appropriate actions to address them. Support the

# Strengthening Common Management Unit for AIDS, TB & Malaria and Accelerating Response to control the three diseases in Pakistan

professional development of internal audit staff and promote a culture of continuous improvement;

- Make recommendations on appointment, re-appointment and removal of the external auditors;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- Discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- Provide a regular assessment to evaluate the adequacy of the internal audit department staff strength and deficiency.

## C. Review of financial information

- Based on the financial information, review the resource allocation done by Global Fund for each disease program, considering the respective disease burden and desired outcomes;
- Conduct a review of the domestic funding situation and assesses its impact on program sustainability;
- Identify and evaluate any changes in accounting practices with respect to public financial management;
- Review accounting areas that require judgement and provide guidance on financial reporting judgement and issues.
- Ensure compliance with the rules and legal requirements of entities operating in public sector in relation to financial reporting.

## D. Other responsibilities

- Review programmatic performance reports issued by the Global Fund and its comparison with Performance Framework of respective disease program. Review of WHO and other international organizations' reports on TB, HIV and Malaria and comment on its outcome and future strategy;
- Provide valuable feedback and establish baseline data on community members, healthcare workers, and the overall healthcare system by collecting inputs, information, and statistical data.
- Evaluate the coordination and knowledge sharing efforts among various stakeholders involved in public health management.
- Provide an overview of the disease situation and challenges pertaining to TB, AIDS, and Malaria in the respective area.
- Establish a whistleblowing policy to report any concerns regarding financial impropriety, unethical behavior, or violations of policies.

## 4) **COMPOSITION:**

The Committee will comprise of minimum of three members which should include the following:

- A capable chair who is independent, diligent and knowledgeable.
- Majority of the members must be independent of the CMU at provincial and national level, and should not be involved in their day-to-day operations.
- It is important to have members on the Committee who have public financial management expertise.
- At least one member must have appropriate professional qualification and background of working in the

## **Strengthening Common Management Unit for AIDS, TB & Malaria and Accelerating Response to control the three diseases in Pakistan**

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public health sector to ensure subject matter expertise.

- The Committee may also include a representative of the CMU to provide insight into its operations, facilitate coordination, and ensure management's cooperation with internal audit recommendations.