

## Appendix 1



### UNITAID Finance & Accountability Committee Terms of Reference

Approved June 2016 (EB25/2016/R2)

#### 1. PURPOSE

1. The Finance & Accountability Committee ("the Committee") is established by the Board of UNITAID ("the Board") to assist the Board in fulfilling its responsibilities with regard to UNITAID's financial planning, management, performance and accountability as well as risk management and internal control<sup>1</sup>.
2. In particular, the Committee's work is focused on reporting to and advising the Board on the following two key areas:

**Finance.** The Committee handles matters related to financial risk, financial policy, financial planning, financial monitoring and financial performance; and

**Audit.** The Committee handles matters related to the integrity of financial reporting, the internal control system, the internal and external audit functions, risk governance and related topics (e.g. fraud).

#### 2. AUTHORITY

- 2.1 The Committee is constituted as a standing Board committee in accordance with Section 24a of the Board Operating Procedures ("the BOPs"). In accordance with Section 24a of the BOPs, the Committee shall serve the Board in an advisory function in all matters covered by these Terms of Reference. Final decision making for all matters considered by the Committee shall rest with the Board, except where the Board specifically delegates such authority to the Committee.

The composition and operation of the Committee shall be in compliance with the BOPs and in the event of any conflict between the BOPs and these Terms of Reference, the BOPs shall prevail.

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<sup>1</sup> Internal control is broadly defined as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations; reliability of financial reporting; compliance with applicable laws and regulations (COSO definition).

### 3. COMPOSITION AND QUORUM

- 3.1 Membership.** The Committee shall be comprised of no more than seven Board members, including the Committee Chair and Vice-Chair. It is preferable that at least two members of the Committee have Financial/Accounting knowledge.
- 3.2 Term of office.** The term of office for the Committee Chair and Vice-Chair shall be two years, renewable once unless otherwise agreed by the Board and the term of membership of the Committee shall also be two years, renewable.
- 3.3 Quorum.** The Committee may only conduct business when a two-thirds majority of its members are present.
- 3.4 Independent Expert.** The Committee can ask an independent expert to join FAC meetings. The expert will be a non-voting member of the Committee.

### 4. OPERATIONS

- 4.1 Scheduling of meetings.** The Committee Chair and Vice-Chair shall, in consultation with the Secretariat, create an Annual Meeting Plan. Committee meetings will be scheduled at the discretion of the Committee Chair but in consultation with the other Committee members and UNITAID Secretariat.
- 4.2 Meeting agenda and Minutes.** The Committee Chair and Vice-Chair shall prepare meeting agenda, in consultation with the Secretariat Focal Point. Meeting agenda shall be made available to Committee Members at least 10 working days before each meeting. Minutes of the meetings shall be finalized within 20 days after the meeting.
- 4.3 Decision making.** The Chair of the Committee should aim for consensus on all decisions. If consensus cannot be reached, majority and minority positions shall be noted in the minutes of the meeting and shall be reported to the Board.
- 4.4 Minutes of the Meeting.** The Committee shall keep minutes of each meeting in English. Upon prior written request of a Board Member, these shall be translated into other United Nations languages. The Committee shall regularly report its meetings and other activities to the Board.
- 4.5 Transparency Policy.** The UNITAID Transparency Policy shall apply to the work of the Committee.
- 4.6 Conflicts of Interest.** Committee members shall disclose any conflicts of interest relating to the work of the Committee, as well as, any sub-committees.
- 4.7 Committee Accountability.** The Committee Chair in consultation with the Vice-Chair will annually review outputs of the FAC, assess its effectiveness and make appropriate recommendations to the Executive Board regarding FAC membership and mandate.

- 4.8 Secretariat Focal Point.** The UNITAID Secretariat will coordinate and facilitate the Committee's work. The Secretariat has appointed the Director of Finance and Administration to serve as the Secretariat Focal Point for the Committee ("the Secretariat Focal Point"), in accordance with Section 25 of the BOPs. The Secretariat Focal Point will be accountable to the Committee and will provide assistance and support to the work of the Committee, both in the preparatory stage and during the Committee meetings.
- 4.9** The Committee may seek information from UNITAID Management and staff, external auditors or outside consultants as necessary.

## **5. CONTEXT**

In carrying out its responsibilities, the Committee shall give due considerations to the provisions of the Memorandum of Understanding on 19 September 2006 concerning the hosting of UNITAID by WHO ("the Hosting Agreement"). In particular, members of the Committee shall note that in accordance with Article 2.3 of the Hosting Agreement, the hosting arrangement and the operations of the Secretariat shall in all respects be administered in accordance with WHO's rules, including WHO's financial rules, policies, procedures and practices.

Article 5 of the Hosting Agreement provides further indications on how UNITAID financial matters are expected to take place, among which are:

- The Office of the Chief Accountant of WHO must clear the financial statements of income and expenditure of UNITAID before they are provided to the Board.
- The Secretariat is solely and exclusively subject to internal audit and external audit review in accordance with normal WHO practice.

## **6. RESPONSIBILITIES**

The responsibilities of the Committee include the following:

### **6.1 Financial oversight**

#### **A. Financial risk management**

- Continuously review financial risks, review the Secretariat's assessments of their nature, likelihood and potential impact and ascertain the appropriateness of mitigating measures in place in a timely manner.

#### **B. Financial policy**

- Review proposed policies related to all areas of financial management prepared by the Secretariat and endorse them before the Board may approve them as necessary.
- Monitor the relevance and implementation of existing policies.

**C. Financial Planning**

- Oversee the plans and results for resource mobilization efforts to secure sustainable and appropriate funding levels so that UNITAID achieves its goals as set out in the Strategy and responds to risks and liabilities identified by WHO, the Secretariat, or the UNITAID Board/Committees.
- Review the funding capacity and cash flow forecasting twice yearly or as needed.
- Review initiatives or decisions that may have a significant long term financial implication for UNITAID (e.g. substantial reorganization, IT investments, office space).
- Review and endorse the annual expense budget before it may be approved by the Board.

**D. Financial Monitoring**

- Review the audited annual financial statements and endorse them before the Board may approve them.
- Review cash levels and the performance of the Trust Fund.
- Review the status of expenses against budget.
- Review disbursements to implementing partners in relation to grant/project performance.
- Review other elements as needed such as foreign exchange management.

**E. Financial Performance**

- Review UNITAID's performance against established indicators of financial health and performance.
- Review the performance of the grant portfolio in conjunction with the UNITAID Policy and Strategy Committee (PSC).
- Review the nature and results of relevant UNITAID Key Performance Indicators.
- Review the effectiveness of the Secretariat finance function.

**6.2 Risk Governance**

- Review risk management processes in place.
- Advise the Board on appropriate levels of risk tolerance.
- Review the results of risk assessments and the relevant management responses.

### **6.3 Audit**

#### **A. Internal Audit function**

- Review and advise on risk-based audit plans and monitor the status of implementation of the plan.
- Review internal audit recommendations and the responses of the Secretariat to them.
- Monitor the implementation by the Secretariat of internal audit recommendations.

#### **B. External Audit**

- Review audit recommendations and the responses of the Secretariat to them.
- Monitor the implementation by the Secretariat of external audit recommendations.

### **6.4 Ethics and Fraud**

- Ensure that UNITAID has appropriate systems in place to prevent and handle fraud and losses within its scope of control.
- Obtain updates on substantial compliance matters especially cases of non-compliance with the Ethics policy or WHO's Code of conduct.

### **6.5 Others**

- Perform other duties as necessary or appropriate to further the Committee's purposes, or as the Board may assign to it.