



STATUTES FOR KARONGA DIOCESE FINANCE COUNCIL

Preamble

The Canon Law, Book V - The Temporal Goods of the Church, CC 1254 - 1310 clearly describes the Church's position regarding acquisition, retaining, administering and alienation of temporal goods of the Church.

'Temporal goods' is the term used in Canon Law for church property. 'Temporal goods' are distinguished from those goods designated as its 'spiritual' goods. The temporal goods include all non-spiritual assets, tangible or intangible, that are instrumental in fulfilling the mission of the Church. These include: land, buildings, furnishings, liturgical vessels and vestments, works of art, vehicles, securities, cash, and other categories of real or personal property. They are described as being 'of the Church' because they are used for the work of the Church.

Temporal goods are held by the Church to be used for:

- a. Divine worship;
- b. The provision of fitting support for the clergy and other ministers;
- c. The carrying out of works of the sacred apostolate e.g. education, health, justice and peace and development; and
- d. Works of charity, especially for the poor.

The Church owns property so that it can fulfil its mission. It is a means to the end, not the end itself. The following articles of the Canon Law are of particular importance:

Canon 1276 –

- a. *It is the Bishop's responsibility to supervise carefully the administration of goods of the Church.*
- b. *It is the Bishop's responsibility to ensure that there is a proper organisation of the entire administration of goods of the Church by issuing special instructions.*

Canon 1284 –

All administrators of goods of the Church are obliged to:

- a. *Fulfil their office with the diligence of a good house holder.*
- b. *Seek accurately and at the proper time the income and produce of goods, guard them securely and expend them in accordance with the wishes of the founder or lawful norms.*
- c. *Keep accurate records of income and expenditure.*
- d. *Draw up an account of their administration at the end of each year.*
- e. *Draw up each year a budget of income and expenditure. However, it is left to particular law(as determined by the diocesan Bishop) to make this an obligation and to determine more precisely how it is to be presented.*

Canon 492.1 –

Every diocesan Bishop is obliged by Church law to form a diocesan Finance Council which shall be presided over by the diocesan Bishop or his delegate.

Article 1: Purpose

The Karonga Diocese Finance Council (KDFC) is established in accordance with the norms of Canons 492 and 493. Its purpose is to assist and advise the Bishop in the administration of the financial affairs of the Diocese.

Article 2: Responsibilities of the KDFC

Notwithstanding the fact that the ultimate responsibility of administering a diocese vests in the diocesan Bishop, Church law strongly recommends that the diocesan Bishop carries out his responsibilities in collaboration with others. This is particularly so regarding the Church's temporal goods. To this effect every diocesan Bishop is asked to institute a diocesan Finance Council which should be consulted by the Bishop for various administrative decisions of a financial character, especially but not exclusively specified in Canon law provisions regarding the Church's temporal goods (c.493).

The diocesan Bishop must *consult* the Finance Council in the following matters:

- a. Appointment and removal of the Finance Officer (c.494.1-2).
- b. Before asking the Christian faithful to give in cash or kind for the needs of the Diocese e.g. projects or celebrations (c.1263). In this particular case he must also consult the Diocesan Council of Priests.
- c. Before embarking on major and expensive diocesan projects (c.1277). In this particular case he must also consult the College of Consultors (Advisors).
- d. Before placing restrictions on church institutions regarding projects that they can venture in (c.1281.2).
- e. Before approving an investment by the Diocese (c.1305).
- f. Before allowing, for example, a church institution such as Lusubilo Community Care that was founded to look after orphans free of charge to start charging some kind of fees (c.1310.2).

The diocesan Bishop must obtain *consent* of the Finance Council in the following matters:

- a. Before embarking on major and expensive diocesan projects (c.1277).
- b. Before allowing a church institution to give away or sell its property at prices determined by the Episcopal Conference of Malawi which is required to set such prices (c.1292.1).
- c. Before giving away or selling diocesan property (c.1292.1). In this case he is bound by the determination of the Episcopal Conference on the same and he must also have the consent of the College of Consultors and any other interested parties (e.g. DCOP and the Diocesan Laity Council etc).

Article 3: Other Responsibilities of the KDFC

- a. Approving annual financial statements produced by the Director of Finance, Investment and Administration (DOFIA).
- b. Accepting audit reports produced by the auditor of the Diocese.
- c. Approving the annual budget of the Diocese prepared by the DOFIA.

- i. The KDFC shall not approve a budget that has a deficit.
- ii. While the KDFC has a final say on the budget of the Diocese, before the budget begins being implemented, it shall be presented to a meeting of all priests for their information and any comment that does not entail creating a deficit in the budget.
- d. Taking a leading role in initiating diocesan income generating projects.
- e. Receiving financial and narrative reports on diocesan income generating activities and providing financial advice on the same.
- f. Receiving reports on adherence to project budgets by departments of the Caritas Commission: Development, Health, Justice and Peace, and Education.
- g. Ensuring that salaries of employees in the Caritas Commission, Pastoral Commission and the Directorate of Finance, Investment and Administration are in harmony.
- h. Taking an active role in monitoring all major projects of the Diocese.
- i. Receiving appraisal reports from the Human Resource Officer concerning diocesan employees in the Finance, Investment and Administration Section and taking necessary subsequent decisions.
- j. Hiring senior staff in the Directorate of Finance, Investment and Administration and removing the same from office.
- k. *Advising the Bishop on the performance of the DOFIA and the Diocesan Accountant (also referred to as the Finance Desk Officer or Head of Finance Department) and their tenure of office.*

Article 4: Qualifications of Members of the KDFC

It is required that there be at least three Christian faithful in the KDFC. It is further required that members of the KDFC, whether clerics or laypersons be skilled in financial matters and civil law; outstanding in character; not related to the diocesan Bishop lesser than fourth degree (c.492.1,3).

Article 5: Duration of Office

KDFC is to be named for a five-year term, which may be renewed for other *quinquennia* – meaning he can be named after other five-year terms (c.492.2).

Article 6: Membership

The KDFC shall be composed of not fewer than 12 persons, including the Bishop, or the person who, in his stead, exercises ordinary jurisdiction over the spiritual and temporal affairs of the Diocese of Karonga in accordance with legislation of the Roman Catholic Church and the Vicar General of the Diocese. Other members of the KDFC shall be:

- i. One member elected by the Diocesan Pastoral Commission.
- ii. One member shall be a priest serving the Diocese of Karonga, elected by the Presbyteral Council of the Diocese.
- iii. One member shall be a religious sister serving the Diocese of Karonga, elected by the sisters serving the Diocese of Karonga.
- iv. At least 4 members appointed to at-large positions by the Bishop.
- v. The Director of Finance, Investment and Administration (DOFIA) shall be an ex-officio, non-voting member of this Council.
- vi. Other ex-officio, non-voting members of the KDFC shall be the Pastoral Secretary and Caritas Secretary.

It shall be the responsibility of the DOFIA to publish the activities and recommendations of the KDFC. Committees are free to co-opt members if necessary.

Article 7: Meetings

- i. The Bishop shall convoke and preside over the KDFC meetings or he may delegate one of the members as presider (canon 492 §1) – preferably the Vicar General.
- ii. A quorum shall consist of a simple majority of the members.
- iii. The KDFC shall meet 2 times a year and when the Bishop convokes a special meeting. Meetings shall be held at a time and place determined in advance and for which ample notice shall be given in writing or by telephone.
- iv. Agenda for the meetings shall be set ahead of time, prepared by the DOFIA, and approved by the Bishop.

Article 8: Committees

There shall be an Executive Committee and two standing committees of the KDFC. The standing committees shall be the Audit Committee and the Revenue Committee. The DOFIA shall staff all committees of the KDFC.

8.1 The Executive Committee

- i. There shall be an Executive Committee composed of the Bishop or his delegate, the Caritas Secretary, the Pastoral Secretary, and chairpersons of the two standing committees.
- v. The Executive Committee shall be responsible for the affairs of the KDFC between meetings, adoption of a yearly schedule of the KDFC meetings, preparing agendas for the KDFC meetings, approving the annual plans and schedules of standing committees, recommending policies and procedures guiding the budget process and the operations of the KDFC, and for determining the purpose, membership and term of each ad hoc committee. It shall report all of its activities and actions to the KDFC at the next meeting of the KDFC for ratification.
- vi. All KDFC members shall serve on at least one of the two committees. Members may indicate their committee preference prior to appointment.

8.2 The Audit Committee

8.2.1. Summary

The KDFC has a responsibility to oversee the financial reporting process of the Diocese and its entities and to advise the Bishop in matters pertaining to financial reporting and the annual financial audit. However, it is not the responsibility of the KDFC to provide expert assurance regarding the financial statements or the annual financial audit. Furthermore, diocesan officials are responsible for the preparation of the financial statements, for the fair presentation in the financial statements of the Diocese's financial position, results of its activities and cash flows in conformity with accounting principles generally accepted in Malawi, and for the design and implementation of its systems of internal accounting control. Furthermore, the KDFC discharges its duty by (1) acting in good faith; (2) utilizing the care that an ordinary prudent person in a like position would exercise under similar conditions; and (3) acting in a manner that they reasonably believe to be in the best interests of the Diocese.

For expert assurance regarding the financial statements or the annual financial audits, the Diocese has adopted the oversight functions provided by an Audit Committee. The Audit

Committee's primary functions include oversight of the internal control structure, evaluating the independent auditors, discussing the audit results with the independent auditors, overseeing the whistle blower and fraud policies, providing guidance in the prevention and reporting of fraud and reviewing compliance with the Code of Conduct. Members of the audit committee should have the necessary professional and technical background to deal with accounting and internal control matters.

8.2.2. Key Responsibilities

Key responsibilities of the Audit Committee shall include:

8.2.2.1. Systems of Internal Accounting Controls

- a. Inquire whether diocesan officials are setting the appropriate tone by communicating the importance of internal controls so that all individuals possess an understanding of their roles and responsibilities.
- b. Inquire whether diocesan officials are using independent firms to review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
- c. Discuss with the independent auditors any internal control recommendations made during the course of their audit and inquire from both the outside auditors and diocesan officials as to whether internal control recommendations identified by the independent auditors have been implemented.
- d. Inquire of the independent auditors, diocesan officials and legal counsel about any suspected or confirmed fraud, illegal acts, or deficiencies in internal controls.
- e. Regarding complaints pertaining to accounting and auditing matters:
 - i. Inquire whether procedures have been established for the confidential, anonymous submission by employees of concerns regarding questionable accounting and auditing matters; and
 - ii. Review the receipt and treatment of complaints received regarding accounting or auditing matters that were submitted by any party, internal or external to the organization.

8.2.2.2. Compliance with laws and regulations

- a. Review the findings of any examinations by regulatory agencies.
- b. Review with counsel any legal matters that could have a significant impact on the financial statements.

8.2.2.3. Compliance with Code of Conduct and other management policies

- a. Ensure that a policy addressing ethical conduct is formalized in writing and that it is communicated to all employees and volunteers.
- b. Ensure that whistleblower and fraud policies are formalized in writing and that they are communicated to all employees and volunteers.
- c. Periodically obtain updates from management and general counsel regarding compliance with the code of conduct.
- d. Periodically obtain the results of all reported fraud and whistleblower investigations.
- e. Inquire whether conflict of interest forms have been received from appropriate officials and reviewed for conflict issues.

8.2.2.4. Financial Reporting

Before the audited financial statements are issued to the public, meet with diocesan officials and the independent auditors to review the annual financial statements and the results of the audit. This meeting should take place not later than approximately four months after the end of the fiscal year. Ask diocesan officials and the independent auditors about significant risks and exposures, the accounting and disclosure of these risks and exposures in the annual financial statements, and plans to minimize such risks in the future. Also, ask the auditors their assessment of the quality of accounting principles, the degree of conservatism or aggressiveness of estimates and about other significant judgments made by diocesan officials in preparing the financial statements and disclosures. Ask the independent auditors to report on and to discuss the following:

- a. All changes to significant accounting policies and practices used by the diocese; including critical accounting estimates, and how current and anticipated future events impact those determinations;
- b. All changes in alternative treatments (accounting and disclosure) of financial information within generally accepted accounting principles for policies and practices related to material items that have been discussed with diocesan officials, and other material written communications between the auditors and diocesan officials. The following are examples, not all-inclusive, of written communications that should be reviewed:
 - i. Schedules of material unadjusted differences and a listing of material adjustments and reclassifications not recorded, if any, for all entities;
 - ii. Diocesan managements' representation letter for the audit of the financial statements;
 - iii. Reports on observations and recommendations on internal controls;
 - iv. The engagement letter for the audit of the financial statements;
 - v. The audit firm's independence in relation to all diocesan entities; and
 - vi. The final billing for services rendered, if different than the pre-approved amount.

8.2.2.5. Independent Auditors

- a. Recommend to the Bishop the appointment or discharge of the independent auditors.
- b. Recommend all audit, review and attest services, all agreed-upon procedures, and all other services to be performed for all diocesan entities by the independent auditors.
- c. Review and confirm the independence of the independent auditors by:
 - i. Reviewing the nonaudit services performed by the auditors, and
 - ii. Reviewing the auditors' lead and concurring audit partners' rotation schedules.
- d. Recommend approval of the independent auditors' fees.

8.2.2.6. Other Matters

- a. Meet with the independent auditors and diocesan officials in separate executive sessions to discuss any matters that the Audit Committee/ KDFC believes should be discussed privately.
- b. Ensure that significant findings by the independent auditors are received and addressed on a timely basis.
- c. If necessary, recommend to the Bishop that he institute special investigations and, if appropriate, hire special counsel or experts.
- d. Advise the Bishop on the performance of the Internal Auditor and the tenure of his/her office.

8.2.2.7. Membership

The Audit Committee shall consist of a Chair appointed by the Bishop, at least two members of appointed by the Executive Committee. Audit Committee members are approved by the Bishop for three-year terms.

8.3 Revenue Committee

The Revenue Committee shall consist of a Chair appointed by the Bishop, at least five members of appointed by the Executive Committee. Revenue Committee members are approved by the Bishop for three-year terms. The mandate of the Revenue Committee shall include:

- a. Review and coordinate revenue projections of all sources of operating and capital funds and assist and advise on the annual and multi-year fundraising strategies and efforts of the Diocesan Curia prior to any major fundraising campaigns.
- b. Act as a central area for communications on all major fundraising by diocesan institutions as well as the Curia to help monitor and coordinate these efforts.
- c. Oversee all income generating ventures of the Diocese including those which operate as registered entities such as Chipunga Farm Ltd, Kajikhomele Foundation etc.
- d. Ensure that Heads of Section, that is, the DOFIA, the Pastoral Secretary and the Caritas Secretary raise the required and/or expected income from the Sections.
- e. Advise the Bishop on the performance of the Director of Resource Mobilisation and Investment and the tenure of his/her office.

Article 9: Quorum and Voting

A majority of the full membership shall be necessary and sufficient to constitute a quorum for the transactions of business at all meetings of the KDFC so long as all the members of the Council were properly notified of meeting in accordance with canon 127. The act of a majority of the members present at any meeting at which there is a quorum shall be the act of the KDFC or its members. Only full members of the KDFC have a vote during proceedings of the KDFC.

Article 10: Amendments

Amendments to these statutes shall be proposed at any meeting of the KDFC, following a two-week notice, upon a two-thirds vote of the full membership of the KDFC. They will be effective upon the approval by the Bishop.