

Template 18: Audit Committee Charter

COUNTY GOVERNMENT OF XXXX

AUDIT COMMITTEE CHARTER

(Month, Year)

Purpose and Mission

The purpose and authority of Audit Committee is provided for in the public finance management regulations 167. The audit committee guidelines through gazette notice no. 2690 further provide guidance intended to offer best practices on Audit Committee operations, capable of implementation into the public sector governance entities responsible for a wide range of differing missions and purposes. The guidelines carefully define roles of audit committees.

Audit Committees are set up to provide oversight on the public financial management systems. They shall assist the Governing Body and Top management in fulfilling their responsibilities for the financial reporting process, the Internal Control System, risk management, the internal and external audit process, and the government entity's process for monitoring compliance with laws and regulations.

Authority

In order for an audit committee to carry out its responsibilities effectively and independently, it shall have the following authority;

- i. To seek and be provided with relevant information it requires both from internal and external resources;
- ii. To request and obtain outside professional advice for which the cost is born by the concerned entity;and
- iii. To commission any appropriate special audits and/ or investigations on the County and lead the appointment of independent professional(s) to conduct such audits.

Responsibilities and duties

The Committee shall be given full access to the entity's internal audit unit, management, personnel and Auditor General or other independent auditors as necessary to carry out these responsibilities. While acting within the scope of its stated purpose, the Committee shall have the authority of the Governing Body or other appointing Authority as appropriate. The Committee may also recommend its decisions to the Governing Body for approval.

To fulfill its responsibilities and duties the Audit Committee shall exercise oversight over the following areas of public management.

Oversight on the financial reporting process

The Audit Committee shall;

- i. Review in consultation with the internal auditors, the Office of the Auditor General or any appropriate independent auditor, significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent professional

- and regulatory pronouncements, and understand their impact on the financial reporting requirements;
- ii. Apply appropriate level of scepticism, ask probing questions, and engage in frank discussions with management on the results of the audit, including any difficulties encountered;
 - iii. Review the quarterly and annual financial reports and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
 - iv. Review other sections of the annual report and disclosures before release and consider the accuracy and completeness of the information;
 - v. Review with management and the auditors all matters required to be communicated to the Committee under IPPF Standards; and
 - vi. Review any significant disagreement between management and the Office of the Auditor General or the internal audit department in connection with the preparation of the financial statements and management's response to such matters.

Monitoring Internal Controls

The Audit Committee shall monitor the operation of internal controls by;

- i. Considering the effectiveness of the entity's internal control system, including information technology security control;
- ii. Understanding the scope of internal and external auditors' review of internal control over financial reporting, and consider reports on significant findings and recommendations, together with management's responses;
- iii. Understanding the nature and severity of control deficiencies management's remediation plans, and impact on reports; and
- iv. Advising on the adequacy of the internal control framework and policies.

Supervision of the Internal Audit Function

The Audit Committee shall;

- i. Discuss and acknowledge the internal audit charter;
- ii. Review with top management annual audit plans, activities, staffing and organizational structure of the internal audit function;
- iii. Understand results of audit work, audit recommendations and management responses, with focus on most significant findings;
- iv. Ensure there are no unjustified restrictions or limitations to internal audit activity;
- v. Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing;
- vi. Ensure that agreed audit recommendations are implemented by management;

- vii. Ensure independent quality assurance review of the internal audit unit is conducted every three years;
- viii. On a regular basis, meet separately with the Head of Internal Audit Unit to discuss any matters that the Committee or internal audit believes should be discussed privately; and
- ix. Review fraud reports and give direction.

Considering the reports by the Office of the Auditor General

The Audit Committee shall;

- i. Discuss the independent auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- ii. Review the report and recommendations made by the Office of the Auditor and advise the Board
- iii. Confirm the independence of the independent auditors appointed by the Office of the Auditor General; and
- iv. On a regular basis, meet separately with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

Monitoring Compliance to laws and regulations

- i. The Audit Committee shall ensure the County complies with applicable laws and regulations by;
- ii. Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance;
- iii. Reviewing the findings of any examinations by regulatory agencies and any auditor observations and follow up actions; and
- iv. Obtain regular updates from management, internal auditor and entity legal counsel regarding compliance matters

Other responsibilities

- i. Discuss with management the entity's major policies with respect to risk assessment and risk management
- ii. Perform other activities related to this charter as requested by appointing authority
- iii. Receive and, if appropriate, respond to reports on material violations of laws and regulations; and
- iv. Review unsettled public financial management issues.

Reporting Responsibilities

The Audit Committee shall;

- i. Quarterly report (and as frequently as deemed necessary) to the appointing authority about committee activities, issues and related recommendations;
- ii. Provide an open avenue of communication between internal audit, the external auditors, and the management, as appropriate;
- iii. Report annually in the annual report of the entity, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule;
- iv. Review any other reports the entity issues that relate to Committee responsibilities;
- v. Maintain minutes or other records of meetings and activities of the Committee.

Annual Performance Evaluation

- i. Perform a review and evaluation, at least annually, of the Committee's performance and that of its members, including reviewing the compliance of the Committee with this charter.
Evaluation criteria shall include;
 - a) Expertise and know how;
 - b) Attitude, objectivity, judgement and independence;
 - c) Commitment to the Committee's duties and responsibilities;
 - d) Attendance of meetings and willingness to devote time to prepare for meetings;
 - e) Knowledge of entity's objectives and operations.
- ii. Review and reassess. At least annually, the adequacy of this Charter and recommend any improvements that the Committee considers necessary or valuable.
- iii. Evaluate the Committee's and individual members' performance on regular basis.

Oversight role, not management responsibilities

While Audit Committees have the responsibilities and powers set forth in this Charter, it is not the duty of the Committees' members to conduct audits or review accounts of the County.

Signed by Audit Committee members

Date

Signature _____

Name _____

Date

Signature _____

Name _____