

Audit Committee Charter

NAME OF PUBLIC SECTOR ENTITY

AUDIT COMMITTEE CHARTER

(Month, Year)

Purpose and Mission

The purpose and authority of Audit Committee is provided for in the public finance management regulations 174. The audit committee guidelines through gazette notice no. 2691 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 Public Sector Entity 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 Public Sector Entity 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 Public Sector Entity.

Signed by Audit Committee members

Date

Signature _____

Name _____

Date

Signature _____

Name _____

NB: The audit committee may adopt the following templates in the execution of their oversight role.

Template A: Quarterly Audit committee report to the Governing Body

Quarterly Audit committee report Template	
Public Sector Entity	
Quarter	
Financial Year	

1	Number of meetings held and key issues discussed
2	Monitoring of internal audit reports
3	Monitoring of external audit reports
4	Recommendations to the Governing Body
5	Previously recommendations to the Governing Body for which no decision has been taken
6	Significant risks and mitigating strategies
7	Internal audit plans
8	Comments on the effectiveness of internal control
9	Annual financial statements (and quarterly financial statements where applicable)
10	Comment on the adequacy of the audit committee charter (annual)
11	Results of self-assessment of audit committee (annual)

Approved By: Chair, Audit Committee

Date:

Template B: Audit Committee Annual Report

Audit Committee Annual Report Template	
Public Sector Entity	
Financial Year	

1 Composition of the audit committee

- Chair, Secretary and Members – names and appointment
- Confirmation that the members of the committee met the definition of independence as required
- Appointment process
- Relevant qualifications, expertise and experience of each member (if not included in biographical details)

2 Audit Committee members and Attendance

The number of meetings actually held during the fiscal year under review compared to the number specified in the regulations or planned. The Audit Committee should further indicate the name of each Audit Committee member stating any members that were appointed or resigned, the number of meetings attended by each member.

3 Audit Committee Responsibility

The Audit Committee should, at least, address the following with additional commentary. A reference may be made to the charter

- Adoption / non-adoption of the audit committee charter,
- Its compliance/ non-compliance with the audit committee charter

4 The effectiveness of internal control

Using available presentations from management and head of internal audit, the Audit Committee should, at least address the following with additional commentary:

- Efficiency and effectiveness of the system of internal control applied by the entity

- Risk management effectiveness, efficiency and transparency, Report on Governance requirements
- The Annual Financial Statements
- The management report from OAG
- The quality of in-year management and monthly/quarterly reports submitted

5 Appraisal of Financial Statements

The Audit Committee should, at least, address the following with additional commentary:

- Discuss audited annual financial statements to be included in the annual report, with the OAG and the management
- Discuss OAG’s management report and management’s response thereto,
- Discuss changes in accounting policies and practices
- Discuss compliance with legal and regulatory provisions
- Discuss information on pre-determined entity objectives to be included in the annual report
- Discuss significant adjustments resulting from the audit
- Commentary on interim financial statements prepared

6 Internal Audit

The Audit Committee to conclude on the effectiveness of the internal audit function and whether or not the internal function has addressed the risks pertinent to the entity in its audit.

Provide a commentary on whether or not the Audit Committee has met with the OAG to ensure that there are no unresolved issues.

7 Conclusion

Recommendation of the committee on whether the financial statements should be accepted and read together with Auditor General’s report.

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Approved By: Chairperson of the Audit Committee

Date:

Template C: Audit Committee Monitoring

The audit committee minutes should reflect the information discussed in the audit committee quarterly meeting and categorised as follows for ease of tracking;

A. ISSUES NOT IMPLEMENTED

(Where no action has been taken in response to issues raised in the audit reports)

No.	Finding	Action to be taken by management and status	Audit committee Recommendation to the Management if any
Report title and date: Auditor General Report 20xx/xx			
1.	Finding in summary form	<p>Actions to be taken by management to resolve issues reported.</p> <p>Initial Target Implementation date: (as agreed with the audit committee)</p> <p>Expected completion date:</p> <p>Responsibility: (Head of department)</p>	
2.			
Report title and date: Internal Audit Report Quarter 1 20xx/xx			
1.			

B. PARTIALLY IMPLEMENTED ISSUES

(Where action has been taken in response to issues raised in the audit reports but issue has not been fully resolved)

No.	Finding	Action taken or to be taken by management	Audit committee Recommendation to the Management if any
Report title and date: Auditor General Report 20xx/xx			
1.	Finding in summary form	<p>Actions taken</p> <p>Additional action to be taken in response to issues reported.</p> <p>Initial Target Implementation date: (as agreed with the audit</p>	

		committee) Expected completion date: Responsibility: (Head of department)	
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C. ISSUES REPORTED DURING THE QUARTER

No.	Finding	Update on action taken by management	Audit committee Recommendation to the Management if any
Report title and date:			
1.	Finding in summary form	Include actions taken or to be taken in response to issues reported Target Implementation date: (as agreed with the audit committee) Responsibility: (Head of department)	

Template D: Audit committee Self-Assessment questionnaire

Audit Committee Self-Assessment Template	
Public Sector Entity	
Period	

This form may be filled by audit committee members individually and results analyzed during a committee meeting.

	Assessment	Comments
	5 Very Good 4 Good 3 Satisfactory 2 Needs improvement 1 Completely unsatisfactory	Please add extra pages if you require more space.
Organization		
1. The Audit Committee charter contains clear provisions specifying the nature and scope of its duties and responsibility.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
2. Does the committee take a role in overseeing: <ul style="list-style-type: none"> - risk management strategies - internal control - financial reporting - anti-fraud arrangements - Whistle-blowing strategies? 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
3. The Audit Committee Charter has been discussed and formally approved by the Audit Committee.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
4. Preparatory documentation for the Audit Committee's meetings is complete, issued in good time and includes the right information to enable meaningful discussions to be held.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
5. Audit Committee meetings are well organized, efficient and held at least quarterly; sufficient time is allowed for all important topics to be discussed.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
6. The Audit Committee's members communicate frequently, honestly and directly with management, the internal and Office of the Auditor General and among themselves.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
7. The Audit Committee has access to appropriate support from both internal and external sources.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	

<p>8. Minutes of meetings and reports to Governing Body as a whole reflect the Audit Committee’s principal activities and recommendations.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>Supervision of audit processes</p>		
<p>9. Executive members of management are invited to attend, participate in discussions and provide information to the Audit Committee as and when the Committee deems it necessary.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>Composition and quality</p>		
<p>10. Members have the appropriate qualifications to meet the objectives of the audit committee’s charter, including appropriate financial literacy.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>11. Members of the Audit Committee are all independent of the entity as stipulated in audit committee regulations.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>12. Audit Committee members have differing or different perspectives due to diversity of experiences and backgrounds including:</p> <ul style="list-style-type: none"> - Governance, assurance and risk management. - Audit - Understanding of the wider environment the entity operates in - Public financial management - Risk management and assurance expertise; and - Relevant industry/sector expertise. 	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>13. Audit Committee Chair’s leadership is effective.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>14. Audit Committee members understand and remain current on relevant auditing, accounting, regulatory, and industry or entity issues consistent with their responsibilities.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>15. For matters that require specialized expertise, the audit committee engages external parties as appropriate.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	
<p>Supervision of accounting and reporting</p>		
<p>16. The Audit Committee contributes to the right “tone from the top” being sent from the top of the entity;</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1</p>	

insistence on integrity and accuracy in accounting and reporting.		
17. Sufficient attention is paid in the discussions and agendas of Audit Committee meetings to the risks contained in the entity's accounting and reporting, and the corresponding internal controls.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
18. The Audit Committee conducts purposeful discussions of external reporting(including the Annual Accounts, quarterly or other relevant items, if any)	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
19. Related party transactions-including their disclosure in the reporting-are adequately investigated.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
20. The Audit Committee understands how management and the external auditors evaluate materiality, both quantitatively and qualitatively, for financial reporting purposes.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
21. The Audit Committee assesses reasonableness and appropriateness of critical accounting and anti-fraud policies followed by the entity, discussing with management and external auditors.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
22. The Audit Committee understands and scrutinizes areas involving management estimates (e.g. accounting accruals, asset impairments, reserves) that have a material impact on the financial statements.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
23. The Audit Committee understands and is satisfied with the process management undergoes to evaluate the significance of control deficiencies.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
24. The Audit Committee is satisfied the entity adequately addresses the risk that the financial statements may be materially misstated, intentionally or unintentionally, discussing risk of fraud with management and external auditors.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
Oversight over external audit process and supervision of internal audit process		
25. The Audit Committee obtains information concerning the external auditor's audit planning and findings	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 4 3 2 1	
26. The Audit Committee examines the communications issued by the	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 	

external auditor.	5	4	3	2	1	
27. Audit Committee invite the external auditor to its meetings, when appropriate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
28. The audit committee considers significant risks faced by the entity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
29. The internal auditor’s reporting and communication to the Audit Committee take place in a climate in which problems relating to management are really brought to the attention of the Audit Committee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
30. The Audit Committee believes the internal audit activity has appropriate focus and addresses areas of most significant risk in its audit planning.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
31. The Audit Committee examines the internal audit activity’s audit planning and resources and assesses its abilities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
32. The Audit Committee examines result of the internal audit activity’s work including comments made by management and evaluates the measures agreed to bring about improvements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
33. The Audit committee recommends action plans with specific timelines for implementation of recommendations and monitors progress.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
34. Executive sessions are held with the internal and external auditors result in candid discussion of relevant issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
35. The internal audit function is effective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
Overall assessment						
36. How would you rate the Audit Committee’s performance overall?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
37. The audit committee adds value to the entity performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	
38. The audit committee follows up recommendations regarding its effectiveness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5	4	3	2	1	

39. Please explain here each area that you indicate above as “Needs Improvement” or “completely unsatisfactory” and suggest any improvements.

40. Please raise any concerns related to Audit Committee performance. Identify issues that the Committee should address in the future, and ways the Committee can address those issues.

Template E: Individual Audit Committee Member Performance Assessment

Individual Audit Committee Member Assessment Template	
Public Sector Entity	
Name of Audit committee member	
Period	

This form should be completed by the Chairperson and discussed with the audit committee member.

1. Attendance at meetings

- a) Number of audit committee meetings held during the year: _____.
- b) Number of meetings attended by audit committee member; _____.
- c) Chairperson’s comments on attendance at meetings:
 - Attends on time and stays for full duration of meeting
 - Attends briefly

2. Preparation for meetings

- a) How well does the audit committee member prepare for meetings?
 Outstanding Very Good Good Satisfactory Not Acceptable
- b) Chairperson’s comments: _____

Participation at meetings

- a) What level of effective participation does the audit committee member have in meetings:
 Outstanding Very Good Good Satisfactory Not Acceptable
- b) Chairperson’s comments: _____

3. Personal Attributes

The chairperson’s assessment of the audit committee member’s attributes with comment, in particular, on the members understanding of the operations of the entity, the business environment, the legal and regulatory framework, level of ethical and moral judgment, ability to keep up to date with latest developments in the sector, communication and relationship with other committee members, relationship with management, confidentiality, experience and judgement and their relationship with stakeholders.

4. Professional attributes

The Chairperson’s assessment of the audit committee member’s professional attributes with comments on the director’s strategic awareness, the risks facing the entity, independence and objectivity, understanding of governance and responsibilities relating to internal auditors, financial reporting and external audit.

5. Chairperson’s general comments

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The above assessment has been discussed between the Audit Committee Chairperson and the Audit Committee member concerned and the points raised have been agreed.

	Name	Signed	Date
Chairperson			
Audit Committee Member:			