

THE ROLE OF AN AUDIT COMMITTEE

Audit Committee 11 June 2013

Presented by: Bami Cole



CONTENTS

- Definitions of an Audit Committee & IA
- CIPFA Statement
- The Assurance Process
- Statutory/Regulatory Requirements
- New Public Sector Internal Audit Standards
- Internal Audit and The Audit Committee
- The Effective Audit Committee

DEFINITION

- **Audit Committee** - The governance group charged with independent assurance of the adequacy and effectiveness of the internal control environment and the integrity of financial reporting

Internal Audit

- An Assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources

Audit Committee vs. Scrutiny

- The role of scrutiny is to review policy and challenge whether the executive has made the right decisions to deliver policy goals.
- The Audit Committee is required to be separate from these two functions, both organisationally and practically.

CIPFA STATEMENT

The purpose of an audit Committee is to provide independent assurance of:

- The adequacy of the risk management framework
- The associated control environment
- Independent scrutiny of the authority's financial and non-financial performance
- Oversee the financial reporting process.

Statutory/Regulatory Requirements (1)

- Local Government Act 1972 – Sec 151 requires that the Council have a sec 151 officer, who is mandated to make proper arrangements for the administration of the Council's Financial Affairs, including arrangements for Internal Audit

Statutory/Regulatory Requirements (2)

Accounts and Audit Regulations 2011:

- Regulation 4 refers to “adequate and effective” financial management and arrangements for sound systems of internal control, including the management of risks. It also requires the Council to produce an Annual Governance Statement
- Regulation 6 requires that the Council must undertake adequate and effective internal audit of its accounting records and of its systems of internal control, in accordance with-’proper practices’.

Key Statutory Roles

- Approve the Annual Internal Audit Plan and Review the Adequacy and Effectiveness of the work of Internal Audit
- Review the Arrangements For the Management of Business Risks
- Approve the Annual Internal Audit Report
- Approve the Annual Governance Statement
- Approve the Statement of Accounts

Internal Audit and The Audit Committee

- Close working relationship – that of a “critical friend”
- Internal audit role is to work closely with the committee members and particularly the Chair of the Committee, to ensure effective delivery of the Assurance Requirements
- IA to provide regular reports to the AC which gives an independent opinion of the Council’s systems of IC, RM & Governance

New Public Sector Internal Audit Standards

- Requires close working of the Chief Audit Executive and the Audit Committee
- Specific reference to effective communication with the AC Chair
- Key aspects covers - the Council's risk and assurance requirements; the level of assurance provided; issues of concern raised by audit work undertaken; and the implementation of agreed recommendations

Practical Application of Role

Meet at least once a quarter to review:-

- Internal audit progress reports
- Review progress of internal audit recommendations and request attendance by management to address issues raised
- Review the risk management strategy and consider the Council's Strategic Risk Register

Practical Application of Role

- Consider and Approve the Financial Statements
- Receive Reports from The External Auditors
- Approve the Annual Governance Statements

The Assurance Cycle

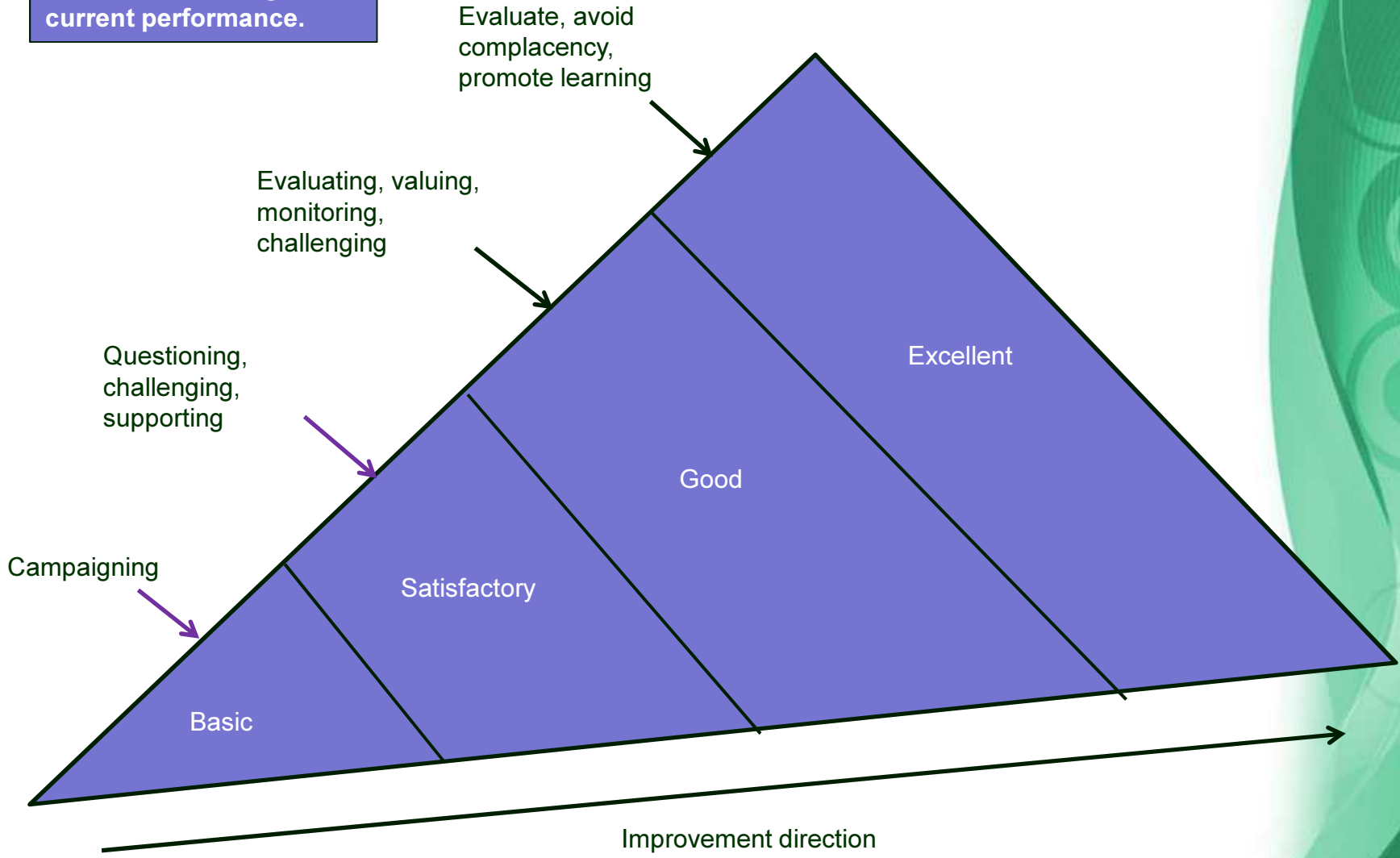
Audit Committee Work Plan:

Months	Key Activities
March/April	<ul style="list-style-type: none">• Approve Annual Audit Plan
June	<ul style="list-style-type: none">• Consider Annual Internal Audit report• Effectiveness Report on IA• External Audit Annual Plan• Risk Management Report• Investigations Team Report
September	<ul style="list-style-type: none">• Consider First Quarter IA Progress Report• Approve Annual Governance Statement• Approve Statement of Accounts
January	<ul style="list-style-type: none">• Consider Second Quarter IA Progress• Risk Management Report• External Audit Annual Letter
March	<ul style="list-style-type: none">• Internal Audit Plan• 3rd Quarter IA Progress Report

Where should the audit committee have influence?



The audit committee's approach to improvements may be different according to current performance.



Question & Answer

....thank you for listening