

Audit Committee Evaluation

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Why have an Audit Committee?

- Department of Finance Code of Practice for the Governance of State Bodies 2009
 - The Board should establish an Audit Committee
- Good Corporate Governance

Role of the Audit Committee

- Role:
 - Provide assurance on risk management, internal controls and financial statements
- Responsibilities:
 - Oversight of Risk Management and Internal Control System
 - Statement of Internal Financial Control
 - Oversight of Internal Audit
 - Corporate Governance Compliance
 - Liase with External Audit
 - Review of Financial Statements

Structure of the Audit Committee

- Charter / Terms of Reference
- Reporting Arrangements - to board
- Membership
 - Selection
 - Independence
 - Knowledge and Skills
- Attendance
 - Internal Auditor
 - Chief Executive
 - Managers
- Annual Report of Committee

Impact of Audit Committees

- Raises the profile and focus on
 - Corporate Governance
 - Internal Control
 - Risk Management
 - Financial Management
- Provides a forum for issues from
 - Internal Audit
 - External Audit
- Improves the strength of assurance to the Board and

Effective Audit Committees

- A membership that is balanced, objective, independent of mind and knowledgeable
- Combines knowledge of the organisation with an independent perspective
- Members with ability to challenge when required – “constructive challenge”
- Advising, supporting, probing
- “Noses In, Fingers Out”
- Confidentiality

Role of Internal Audit

- Is independent
- Provides assurance, e.g.
 - systems and procedures (financial and management) to control an organisation's activities
 - Compliance with legislation and other governance requirements
- A consulting activity
- Adds value and improve an organisation's operations

Internal Audit and Audit Committees

- Review the Internal Audit Charter
- Consider/Approve the draft internal audit plan
- Monitor the implementation of the plan
- Assess the findings and recommendations of internal audit and management's response
- Assess the implementation of recommendations

Audit Committee Evaluation

- The Role of the Audit Committee
- Skills and Knowledge of Members
- Operation of the Committee and its Support

Audit Committee Evaluation

- The Role of the Audit Committee

- Has the committee carried out a review of its Charter?
- Does the committee review the Internal Audit Function's Audit Plan?
- Does the committee discuss Internal Audit Reports and monitor Management's implementation of them?
- What is the involvement of the committee with Risk Management?
- What is the involvement of the committee with the agency's financial reporting?
- Does the committee have an annual discussion with the External

Audit Committee Evaluation

- Skills and Knowledge of Members
 - Do you have a clear understanding of the role of the committee and your role as a member?
 - Do you have the knowledge and expertise to carry out your role?
 - Do you need any training to help you carry out your role as a committee member?
- Operation of the Committee and its Support
 - Are committee meetings productive and sufficient in number with the active participation of all members?
 - Has the committee evaluated the Internal Audit Function?
 - Has the committee carried out an evaluation of itself?

Internal Audit Evaluation

- International Standards for the Professional Practice of Internal Auditing 2009
 - Chartered Institute of Internal Auditors
 - Internal Assessment
 - External Assessment
- Department of Public Expenditure and Reform
 - Draft for Central Government
 - Will become standard for Public Sector