

Institutionalizing and Operationalizing Audit Committees

By

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Wednesday, 19th September 2018

The Presentation



- ❑ What is disturbing us?
- ❑ Institutionalization;
- ❑ Operationalization;
- ❑ Key Challenges;
- ❑ The effective Audit Committee;
- ❑ Q and A

What is disturbing us?



- ☐ Is it a human problem, structural issue or absence of controls?
- ☐ Is there progress now than any other time before to safeguard stakeholder interests in institutions? Is the agency problem growing?
- ☐ Are governance problems likely to go away now or in the future?
- ☐ In which order would you rank in terms of proper reporting and assurance these sectors:
1. Public 2. Private 3. Faith Based 4. NGOs?

What is disturbing us?



A word cloud on a blue background with the words 'CORPORATE GOVERNANCE' in large, bold, white capital letters. Other words in various sizes and orientations surround the central text, including: CONTROL, STAKEHOLDERS, CONTEMPORARY, OBJECTIVES, CORPORATIONS, EXECUTIVE, EXTERNAL, REGULATION, CONCERNED, INFORMATION, INVESTORS, BUSINESS, CUSTOMERS, SUPPLIERS, SYSTEM, INTERESTS, CORPORATION, PARTIES, MANAGEMENT, SHAREHOLDERS, DIRECTORS, AUDITORS, RETURNS, DUTY, and BEHAVIOR.

What is disturbing us?



- ❑ Corporate governance and the establishment of Audit Committees is a global issue;
- ❑ After some well-publicised international auditing failures e.g Enron, there has been an increasing focus on the role of Audit Committees across industry;
- ❑ There is no standard legal framework across the globe for establishment of Audit Committees, but the common denominator remains....

What is disturbing us?



- ❑ The desire to have system of internal control designed to provide **reasonable assurance** as to the integrity and reliability of financial reporting;
- ❑ So much so that, as a key governance body for internal audit, the Audit Committee guarantees the **independence of the internal audit** and the effectiveness of internal audit operations.



MINISTRY OF ENERGY

PUBLIC NOTICE

ESTABLISHMENT OF AUDIT COMMITTEE IN THE MINISTRY

A.

INTRODUCTION:

Pursuant to Section 73(5) and 155(5) of the PFM Act, 2012 and PFM Regulations, 2015 and the guidelines for establishment of Audit Committees in all public entities vide Kenya Gazette Notice Vol. CXVIII No. 40 of 15th April, 2016, the Ministry is seeking to recruit persons as Chairperson and Members of the Audit Committee.

B.

REQUIREMENT FOR APPOINTMENT:

Chairperson

To be appointed as the Chairperson of the Audit Committee, one must have the following:

1. A Degree from a recognized University.
2. Knowledge and experience of not less than 7 years in Audit and/or Financial Management/Accounting.
3. Be a member of a professional body and in good standing.
4. Knowledge and experience in Risk Management.
5. Be a person of integrity and in compliance with requirements of Chapter Six of The Constitution of Kenya, 2010.

Members

1. A Degree from a recognized University.
2. Working experience of not less than 5 years.
3. Be a member of a professional body and in good standing.
4. Knowledge in Public Service/Government operations.
5. Be a person of integrity and in compliance with requirements of Chapter Six of The Constitution of Kenya 2010. Refer Regulations, 174 PFM Regulations, 2015 for details. The same can be downloaded from Ministry's website: www.energy.go.ke

Application Process:

All interested applicants who meet the requirements in (B) above should submit their applications together with detailed curriculum vitae, copies of academic and professional certificates and testimonials, and national identity card in a sealed envelope and addressed as below:-

**The Cabinet Secretary
Ministry of Energy
P.O. Box 30582-00100
NAIROBI, KENYA**

The sealed envelope to be dropped at the Office of the Director, HRM&D, Nyayo House, 22nd Floor.

Deadline for receipt of applications is 19th October, 2018.

If within one (1) month from the date of the deadline an applicant does not hear from the Ministry, they should consider their application not successful.

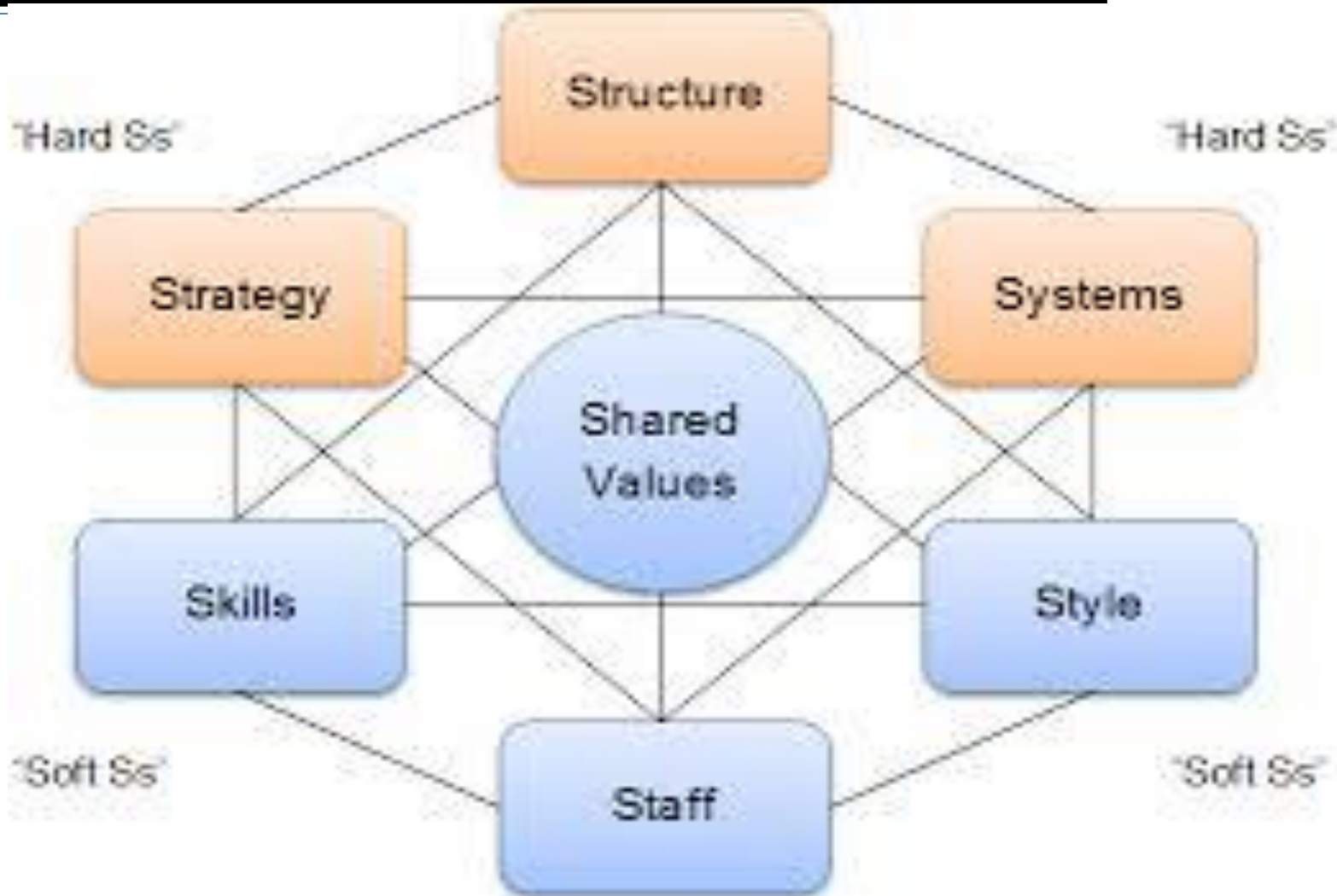
The Ministry of Energy, avails equal engagement opportunities to all Kenyans. Women, persons living with disabilities, the marginalized and minorities are encouraged to apply. Any form of canvassing shall lead to automatic disqualification. **Only shortlisted candidates shall be contacted.**

Institutionalization



- ❑ Is the process of making the Committee part and parcel of the institution after appointment;
- ❑ Their ToRs, membership, size etc. vary depending on the enabling legislation, policy documents, MeMarts, regulations et al;
- ❑ For proper functioning of the Committees, several institutional fundamentals must be right;

Institutionalization



Operationalization



To operationalize an Audit Committee, the following is crucial;

- ❑ A solid secretariat- *an audit committee is as strong as the internal auditor.*
- ❑ the Audit Committee Charter; [JOOUST AUDIT COMMITTEE CHARTER \(1\).docx](#)
- ❑ Induction and on-boarding of new Audit Committee members;
- ❑ Audit plan [ANNUAL WORKPLAN FOR 2018-2019.docx attachment \(4\).pdf](#)

Key Challenges



- ❑ Board/ organizational dynamics and politics;
- ❑ Weak Internal Auditor;
- ❑ Lack of support from the CEO;
- ❑ Weak capacity of Audit Committee members;
- ❑ Conflict of interest/ Integrity;
- ❑ Greed.

In conclusion colleagues, effective Audit Committees obtain where...



- ❑ Compliance with the best practice as well as legal and regulatory framework;
- ❑ Audit findings and recommendations escalated and adopted as resolutions of governing body;
- ❑ Implementation of recommendations by the committee, full governing organ and other assurance providers;
- ❑ Enhanced control environment;
- ❑ Continuous development of the Committee as a whole and the individual members.



Thank You!!!

Plenary



Q and A