



THE BOARD AUDIT COMMITTEE SEMINAR

20th – 24th SEPTEMBER, 2021

DOUBLE TREE –BY HILTON STONE TOWN -ZANZIBAR

- Roles and responsibilities for external and Internal auditors in relation to Audit Committees
- Assessing external auditor effectiveness
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Mandate of the Office of the Auditor General



- The OAG draws its mandate from the Constitution of Kenya.
- Article 10- National values & Principles of governance
- Article 210- Principles of public finance: Openness , accountability, public participation, prudence , equitable, clear reporting.
- Chapter 12, Part 6, Article 229 establishes the Office of the Auditor General.
- Chapter 15, Article 248 , Independent offices
- Article 249, Section 2 (a) and (b) states: The commissions and the holders of independent offices are subject only to this Constitution and the law; and are independent and not subject to direction or control by any person or authority.

Article 229 states-OAG



- Within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on:-
- The accounts of the national and county governments;
- The accounts of all funds and authorities of the national and county governments;
- The accounts of all courts

Article 229 states-OAG



- The accounts of every commission and independent office established by this Constitution;
- The accounts of the National Assembly, the Senate and the county assemblies;
- The accounts of political parties funded from public funds;
- The public debt; and
- The accounts of any other entity that legislation requires the Auditor-General to audit.

Article 229 states-OAG



- The Auditor-General may audit and report on the accounts of any entity that is funded from public funds.
- An audit report shall confirm whether or not public money has been applied lawfully and in an effective way.
- Audit reports shall be submitted to Parliament or the relevant county assembly.
- Within three months after receiving an audit report, Parliament or the county assembly shall debate and consider the report and take appropriate action.

What Does the Audit Aim to Discourage



- Corruption
- Misallocation of resources
- Mismanagement of Resources
- Inefficiencies and losses
- Unethical Practices
- Provision of poor products and services
- Lack of clear framework for recruitment, selection and appointment
- Poor systems, procedures, structures, policies and strategies that don not promote good leadership, Transparency and Accountability

The Link between External & Internal Audit in Public Sector-Public Audit Act- 33



33.(1) The final report by an internal auditor which has been deliberated on and adopted by an audit committee of a State Organ or public entity, may be copied to the Auditor-General.

(2) The Auditor-General shall have unhindered access to all internal audit reports of a State Organ or any public entity, under subsection (1) above, which is subject to audit by the Auditor-General as provided for under Article 229 (4) of the Constitution



- 1) Every national government entity shall ensure that it complies with this Act and—
 - a) has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board; and
 - (b) where any regulations are in force under subsection (2).
 - those regulations are complied with.
- 2) Regulations may prescribe requirements to be complied with in conducting internal audits.



A national government entity shall ensure that internal audits in respect of the entity are conducted in accordance with international best practices.

Every national government public entity shall
Establish an audit committee whose composition and
Functions shall be as prescribed by the regulations.

Key Tasks :

Reviewing the governance mechanisms of the entity mechanisms for
transparency and

Accountability with regard to the finances and assets of the entity;

Conducting risk-based and value-for-money audit.



- Conducting systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the entity;
- Verifying the existence of assets administered by the entity and ensuring that there are proper safeguards for their protection;
- Providing assurance that appropriate institutional policies and procedures and good business practices are followed by the entity; and
- Evaluating the adequacy and reliability of information available to management for making decisions with regard to the entity and its operations

The Audit Committee Guidelines



The Public Finance Management Act
(No. 18 Of 2012)

The Public Finance Management Regulations, 2015

Audit Committee Guidelines For County And National Governments

Back ground details the genesis of audit committee in public sector-treasury
AG3/086/6/6(61) August 2000

Public Finance Management Act 2012 to review guidelines of 2006.

The Guidelines purposes to provide detailed practical guidelines for audit
Committee Members.

Scope: The Guidelines covers the entire public sector.



- The Code of Governance for State Corporations vest the duty of overseeing the external audit to Board-This is the role assigned to the Audit Committee by the Guidelines.
- Receive from the external Auditors the assessment of effectiveness of the internal controls after the audit process
- Ensure that Internal Auditor function monitors the rectification of weaknesses noted by external auditors
- The audit Committee oversees the work of external and Internal Auditors
- The Audit Committee should at least meet annually with external Auditors



- Nominate the external Auditors
- Approve the terms of engagement
- Review the quality and effectiveness of external audit process
- Ensure that the external Audit is completed with the legal deadlines

Role of Audit Committee in regard to Internal Audit



- receive a written assessment of the effectiveness of the internal control systems and risk management on quarterly basis
- Ensure IA Monitor the implementation of external audit findings
- Oversight the functioning of Internal Audit
- Ensure the Internal Audit Function conducts a risk based audit and report to the Board Audit Committee
- Approve the audit Charter
- Ensure Internal Audit Function is independent
- Ensure Internal Audit function reports to the committee
- Ensure Chief Audit Executive (CAE) is positioned at a senior level, qualified and in good standing with professional bodies.

Assessing external auditor effectiveness



1. Understanding business and its risks

The auditors demonstrate their understanding of the business risks and the business issues that your company feels are important.

2. Timing and focus areas

Audit focus areas are relevant and timing of work is appropriate.

3. Robust standpoint on issues

The auditors are firm in their challenges to management, when appropriate.

4. Quality of accounting/auditing judgments

The significant accounting judgments made by management, their impact on the financial statements and the views of the auditors on the treatment are clearly explained.



5. Timely resolution of issues

Identified issues are satisfactorily and promptly resolved, with no unnecessary surprises.

6. Communication

The explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible.

7. Working relationship with management

The auditors have a constructive and working relationship with management.



8. Effective liaison with internal audit

The auditors liaise effectively with the internal audit function.

9. Thorough dialogue on independence

The auditors discuss with you, at least annually, the steps they take to ensure their independence and objectivity, give their independence confirmation and make you aware of any potential issues, explaining all relevant safeguards.

10. Quality of audit

Overall quality of audit.



11. The audit team

The people you see demonstrate integrity, good judgment and a robust attitude.

12. Technical knowledge and expertise

The auditors demonstrate appropriate technical knowledge and expertise, including access to right specialists, as required.

13. Continuity and succession plans

The audit team is made up of sufficient, suitably experienced staff with cumulated knowledge of company's business, fresh insights and with provision made for knowledge retention on rotation of the partner.

14. Roles and responsibilities

Assessing external auditor effectiveness



15. Establishing and meeting expectations

The auditors' work is client oriented, your expectations are agreed at the outset, including responses to your previous feedback, and have been met.

16. Constructive recommendations

Insightful, practical and effective recommendations are made in respect of the business.

17. International coordination and presence

The international coordination of group audit and audit firm presence is aligned with your business and it is effective.

18. Added value

The audit adds value to owners, board of directors, audit committee and management.

19. Other services

Other professionals of the audit firm understand your business and their services are useful and efficient.

20. Quality of people and service

Overall quality of people and service.

Assessing external auditor effectiveness



GOD BLESS

THANK YOU