

TREASURER'S DIRECTIONS

PART 3 - RESPONSIBILITIES OF ACCOUNTABLE OFFICERS

Section 3 - Audit Committees

Authorities: *Financial Management Act*

Section

3. Interpretation
13. Duties of Accountable Officers
15. Internal audit

Defined Terms - *Refer to Part 1 Section 2*

- Accountable Officer
- Agency
- audit committee
- internal audit
- internal control

OVERVIEW

An audit committee provides a means of coordinating the internal and external audit activities in Agencies and serves to assist Accountable Officers in effectively discharging their internal audit responsibilities under the Act.

STATEMENT OF INTENT

- 3.3.1 This Section provides a framework within which Accountable Officers can establish and operate an audit committee.

REQUIREMENTS FOR ACCOUNTING AND PROPERTY MANUALS –*Refer Part 3 Section 1*

3.3.2 Accountable Officers are responsible for incorporating in their Agency's accounting and property manual, where applicable, procedures relating to an audit committee's:

- terms of reference;
- composition;
- accessibility; and
- reporting requirements.

ESTABLISHING AN AUDIT COMMITTEE

3.3.3 Accountable Officers may establish and maintain an audit committee to assist in discharging their responsibilities under the Act.

3.3.4 The functions of an audit committee may include:

- (a) liaison with audit representatives;
- (b) responsibility for internal audit;
- (c) monitoring the implementation of audit recommendations;
- (d) review of compliance with legislative requirements;
- (e) review and approval of financial statements (in conjunction with an audit report); and
- (f) monitoring changes in accounting and reporting requirements.

3.3.5 Additional functions of an audit committee may include:

- (a) monitoring policies;
- (b) establishing and reviewing a code of conduct; and
- (c) reviewing policies relating to conflicts of interest, misconduct and fraud.

TERMS OF REFERENCE

- 3.3.6 On establishing an audit committee, an Accountable Officer should formulate terms of reference clearly stating the authority, membership and responsibilities of the committee.
- 3.3.7 An audit committee's terms of reference should be reviewed periodically to ensure that they are consistent with the needs of the Agency.

COMPOSITION

- 3.3.8 The optimal size of an audit committee is dependent on the extent of its terms of reference and the size and structure of the Agency. Ideally, an audit committee would normally consist of three to six members.
- 3.3.9 Accountable Officers should appoint members to an audit committee, ensuring senior level representation from a cross section of the Agency, and where appropriate, members external to the Agency.
- 3.3.10 Members should be appointed to an audit committee for specified terms on a staggered basis such that a core of experienced members is retained.
- 3.3.11 An Agency's auditors should not be members of that Agency's audit committee, however, they could attend committee meetings as observers.

REPORTING

- 3.3.12 Audit committees should ensure that their meetings are minuted and that copies of those minutes are provided to the Accountable Officer.