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Chapter 1 : Audit Committee Handbook | KPMG | GLOBAL

The audit committee handbook has been revised to reflect developing best practice in governance, and in particular to support the provisions of 'Corporate governance in central government.

One of the challenges they face is knowing whether they are giving their attention to the right issues. Key to addressing this is assurance, defined as: The Audit and Assurance Committee can help the Accountable Officer and Board to formulate their assurance needs, and then consider how well assurance received actually meets these needs by gauging the extent to which assurance on risk management is comprehensive and reliable. Assurance cannot be absolute so the committee will need to know that the organisation is making effective use of the finite assurance mechanisms at its disposal, targeting areas of greatest risk. At its simplest, this will identify all the key sources of assurance in the organisation and seeks to orchestrate them to best effect. This can help to ensure that gaps are reduced or eliminated and unnecessary duplication avoided. By defining the sources of assurance in three broad categories, it helps to understand how the type and nature of the mechanisms can contribute to the bigger assurance picture: Further detail of the role of Internal Audit is provided later in this chapter. For example, management and oversight assurance activities can be harnessed to provide coverage of routine operations, with Internal Audit activity more effectively targeted at riskier or more complex areas. As well as strengthening assurance arrangements, this helps the Audit and Assurance Committee to demonstrate added value to the organisation. Advice on developing assurance frameworks is available in the Treasury Assurance Framework Guidance document. The committee should also be proactive in commissioning assurance work from appropriate sources if it identifies any significant risk, governance and control issues which are not being subjected to sufficient review, and in seeking assurance on weaknesses identified by reviews are actually remedied by management. Any such forum should focus on assurances on cross organisational governance, risk and control arrangements. Internal and external audit 4. Internal Audit and External Audit. There is consequently a major synergy between the purpose of the Head of Internal Audit and the role of the Audit and Assurance Committee. Audit work is carried out by Audit Scotland staff and appointed auditors including private firms. This includes the audits of financial statements as well as performance and Best Value audits. All external auditors appointed by the Auditor General are required to follow the Code of Audit Practice which outlines their responsibilities. Once appointed, auditors act independently in carrying out their responsibilities and in exercising professional judgement. This includes work that contributes to audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability. External auditors will report annually to those charged with governance on the results of their work covering both the financial statements and wider scope audit work. The committee should consider the results of external audit work and the proposed actions against audit recommendations. The committee should also consider planned external audit activity and enquire about the level of coordination and engagement between internal and external audit to ensure there is no unnecessary duplication of audit work. Risk management and the control environment 4. Financial management and reporting 4. It should also review the clarity and completeness of disclosures in the year-end financial statements and consider whether the disclosures made are set properly in context. Ideally, the committee should expect a comprehensive overview of the financial statements by the Finance Director, including comparisons with the prior year and current year budget, and an explanation for any issues arising. In reaching a view on the accounts, the committee should consider: Terms of reference 4. It is important that a balance is struck during meetings between corporate governance, risk management, control and financial reporting items. The terms of reference should be reviewed annually alongside the performance of the committee. Model terms of reference are suggested at Annex D. A suggested self-assessment checklist is provided at Annex H. The committee should not have any executive responsibilities or be charged with making or endorsing any decisions, although it may draw attention to strengths and weaknesses in control and make suggestions for how such weaknesses might be dealt with. The overarching purpose of the committee is to advise the Accountable Officer and Board; it is then the Accountable Officer and Board that make the relevant decisions. A model "core programme" of work for a Committee meeting four times a year is provided at Annex E. The funding should be sufficient to:

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Chapter 2 : Audit committees | Department of Finance

*For the purposes of this Handbook-the term Audit and Assurance Committee will be used in a generic context. **The Scottish Government Audit and Assurance Committee Handbook draws on, and is consistent with, generally accepted principles concerning corporate governance and the role of audit and assurance committees.*

 The answer is dedication and preparation. That fact has been true for as long as audit committees have existed, but the degree of separation between the two camps has never been greater. Business moves faster and financial reporting is more complicated than at any point in historyâ€”and the future promises more of the same. How are audit committee members to be adequately prepared to fulfill their obligations to stakeholders? Audit Analytics reports that financial statement restatements for U. The number rose to a staggering 1, in , before falling to a total of in We should be equally concerned about the quality of financial reporting. That quality affects the trust investors and creditors place in the financial statements and the price they are willing to pay for a share of stock. Thus, the quality of financial reporting has a direct impact on the cost of capital. The good news is that the tide is turning. Management, internal audit, external audit, and audit committees have made great strides in recent years in improving the quality of financial reporting. The Sarbanes-Oxley Act of , for all of its initial pain, has helped to refocus attention on financial reporting and to provide audit committees with some of the resources they need to perform their oversight duties. Greater efficiencies need to be built into the oversight processâ€”especially the internal control evaluation processâ€”but the tools needed to do so are now available. All of this brings us back to the book you hold in your hands right now. Audit committee members need a comprehensive yet practical guide to help them execute their duties. The Audit Committee Handbook, now in its fifth edition, is that guide. In these pages you will find everything from the history of how we got here to practical recommendations regarding things to look for as you work to oversee internal and external auditors. One of our primary goals in editing this edition is to leave you with a flavor for the dynamics of the role of the audit committee, yet provide you with practical recommendations and tools you can use in the boardroom. Chapters 6 through 10 have been completely re-written with a howto focus on areas critical to effective audit committeesâ€”the audit planning process and the oversight of internal and external audit. Chapters 11 through 14 complete the work with a focus on fraud and audit-related communications. Effective audit committees are critical to the quality of financial reporting and the proper conduct of business. The best audit committee members see their role as one of great responsibility as well as of great honor. We hope The Audit Committee Handbook, Fifth Edition contributes in a meaningful way to the effective execution of those important duties. Certain questions are sure to concern audit committee members and those considering audit committee membership. How can I tell if the company has complied with the spirit and letter of new regulations? Am I going to be second-guessed by someone outside the company for my best efforts? Will that second-guess expose me to legal liability or personal embarrassment? How can I satisfy all these new responsibilities in a few meetings a year? How can the company best comply with myriad regulations while managing costs and maintaining a business focus rather than one of compliance? The purpose of this handbook is to help form responses to such questions. Sections and of the Sarbanes-Oxley Act of establish three fundamental roles for audit committees. First, they have oversight responsibility for the accounting and financial reporting processes of the company and for its financial statement audits. Second, they are responsible for appointing, compensating, and overseeing the external auditor. In the aftermath of the various regulatory activities that were initiated by Sarbanes-Oxley, audit committees also have responsibility, as part of exchange listing requirements, for ensuring that the company has appropriate systems in place for the effective monitoring and management of risk. Unlike the first three responsibilities, this last one is not necessarily one that must be fulfilled by the audit committee itself. Rather, the intent of the stock exchange listing rules is for the audit committee to ensure that the board has adequately addressed this important issue. Audit committees accomplish this goal by focusing on five key areas: Most companies continuously accelerate their business transactions to increase their number and to extend them to new markets, whether domestically or abroad, but increasingly in foreign countries. The flow of business information coming from these innovations continues to grow in quantity and speed. Similarly, the complexity and extent of accounting and financial reporting expands to accommodate increasingly creative business transactions. Because every organization that depends on external capital must exercise diligence in accounting for and reporting its financial information, the right personnel with the right skills and the right authority must be in the right positions. Management is responsible for making sure the company has the right people with the proper accounting and financial reporting skills, and the commitment to apply them with integrity. The next step is to gain assurance about the quality and adequacy of the related knowledge and skills. For example, revenue recognition in the software industry is highly complex. A reasonable question for an audit committee in this industry is whether the company has people with the knowledge, skills, experience, training, and authority to account properly for software revenue. Internal audit can help audit committees by continuously providing an objective assessment of the state of the necessary accounting skills. Audit committees may find value in listing complex and high-risk financial reporting areas such as revenue recognition, cost capitalization, structured transactions like derivatives and other financial instruments measured at fair value, and accounts based on significant judgments like reserves and asset retirement obligations. Geographic issues may involve the use of international financial reporting standards IFRS , transfer pricing, and other tax-related issues. Whatever the issues may be, once they are identified it becomes Internal Control Oversight 5 much easier to assess whether the organization has the appropriate expertise to manage them appropriately. Management should have a basis for knowing whether its financial reporting processes are working properly. Having a general conviction without persuasive evidence is inadequate. Well-run organizations establish controls to manage and mitigate risks. They also establish proper oversight and monitoring functions, because systems deteriorate over time. Internal control monitoring, and ways of determining its effectiveness, should be part of the DNA of the organization. While not every risk and control requires equal monitoring, management should do all of the following: Know the financial reporting risks and have methods for prioritizing them and identifying changes over time 2. Asking the right questions of management and probing their answers for reasonableness is an effective approach to ensuring proper internal control. Here are some questions to consider: How often is this analysis updated for changes? Does management involve the appropriate people? What controls are focused on the most critical aspects of the financial reporting process? How does management determine whether controls are working? Does management listen to critical viewpoints? Internal control deficiencies are identified and communicated in a timely manner to those parties responsible for taking corrective action, and to management and the board as appropriate. The monitoring guidance develops three broad elements for achieving these principles: Establishing a foundation for monitoring, which includes: Designing and executing monitoring procedures that: Assessing and reporting results, which includes: First, the audit committee should determine whether the auditors have the capability and commitment to address properly the areas of greatest financial reporting risk.

Audit Committee Resources 7 have the characteristics that match up well. These characteristics usually come down to whether the auditor has the following capabilities: The second aspect is somewhat more intangible, relating to whether the audit committee can count on the auditors to have the integrity and fortitude to be frank and honest about their assessments of organizational processes, skills, and attitudes related to financial reporting. Such strength of character is especially important if management executives have aggressive personalities or management styles. This confidence should extend beyond the individuals on the audit engagement to the reputation and support systems internal to the audit firm. Such discussions are most effective when conducted privately with the auditors, but every audit committee should know whether their auditors are willing to tell management the hard truth just as they will tell the audit committee. Audit committees also depend on the active support and engagement of management in fulfilling their duties. To that end, an appropriately staffed, supervised, and autonomous internal audit function can be of great assistance to audit committees by becoming their eyes, ears, arms, and legs. As organizations grow in size or complexity, the relationship between the audit committee and the internal audit group becomes increasingly important. Audit committees also can follow up on areas of concern raised by the external auditors. Because external auditors operate on a sampling basis, they cannot test every transaction doing so would not be practical. Accordingly, while professional standards require auditors to report problems that they find, audit committees should be aware that the auditor may not identify every problem. Audit committees also can hire subject matter experts or other counselors where specialized skills may be required, such as in accounting for acquisitions, asset impairments, fair value measurements, intangibles, derivatives, and complex financial instruments. Management is responsible for understanding and communicating the business purpose and economic outcomes of every significant transaction. The audit committee must be confident that management and those responsible for recording transactions understand the underlying economics. Accordingly, the directors have a fiduciary responsibility to the stockholders. The board of directors is ultimately accountable to the shareholders for the longterm successful economic performance of the corporation consistent with its underlying public purpose. Directors are held accountable for their performance in a variety of ways.

Chapter 3 : Audit committee guidebook for nonprofits | Grant Thornton

This Audit Committee Handbook articulates the principles underlying the audit committee's role and provides a vast amount on nonprescriptive guidance to help audit committees and boards gain a better understanding of the processes and practices that help build and sustain audit committees in the.

Chapter 4 : Audit committees | Department of Finance

A must-have for all audit committee members, board directors, corporate secretaries, CEOs, CFOs, and auditors involved in the accounting practices of their firms, The Audit Committee Handbook, Fifth Edition is the most authoritative work on audit committees in the marketplace.

Chapter 5 : ACI Global Audit Committee Handbook â€“ KPMG Learning Hub

Handbook to the Reports From the Committees on Public Accounts From to Inclusive: With an Index (Classic Reprint) Feb 19, by Cape of Good Hope Audit Offce.

Chapter 6 : Audit and Assurance committee handbook - blog.quintoapp.com

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Chapter 7 : Handbook | Audit Committee Institute | KPMG | IE

The Audit and Risk Assurance Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Group Chief Internal Auditor, Head of Internal Audit, the External Auditor, Risk Manager and other relevant assurance providers.

Chapter 8 : Audit Committee blog.quintoapp.com - Google Drive

The Audit Committee Handbook is intended to be a practical, user-friendly reference for both new and seasoned audit committee members, and for management and audit teams that work with the audit committee.

Chapter 9 : Audit Committee Handbook | KPMG | GLOBAL

The handbook articulates the principles underlying the audit committee's role and provides a vast amount of non-prescriptive guidance to help audit committees and boards gain a better understanding of the processes and practices that help build and sustain effective audit committees.