

*BOARD OF MANAGEMENT*  
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*Kenya National Assembly*  
*Audit Committee Charter*

*Presented to the Board of Management on*

**22<sup>nd</sup> March, 2010**

# PARLIAMENTARY SERVICE COMMISSION

## AUDIT COMMITTEE CHARTER

### 1.0 BACKGROUND

(PSC)

→ The Parliamentary Service Commission was established in 1999 through the Constitution of Kenya (Amendment) Act, No. 3 of 1999, enacted on November 11, and assented to by the President on November 17, 1999.

PSC's mandate is to facilitate Members of Parliament to carry out their duties as representatives of the people.

Specifically some of the functions of the PSC are:

- i) The constitution and abolition of offices in the Parliamentary Service
- ii) The recruitment, appointments, deployment, disciplining, setting of terms and conditions of the service and the termination of service of all staff;
- iii) The provision of facilities and services to Members of Parliament and staff and the supervision of administrative mechanisms;
- iv) The preparation of the budget for the National Assembly and the audit of the expenditure;
- v) The review of the remuneration of the Members through an independent body; and
- vi) The promotion of the ideals of Parliamentary democracy.

The Commission fulfils its mandate through various structures such as the Sub-committees of the Commission, the Board of Management and the PSC secretariat.

### 2.0 PURPOSE

Pursuant to Treasury circular No. 16/2005, The Clerk, National Assembly on 9<sup>th</sup> February, 2010 constituted an Audit Committee to deal with PSC audit issues.

The purpose of the Audit Committee is to assist the Commission in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Commission's process for monitoring compliance with laws and regulations and the code of conduct.

### 3.0 AUTHORITY

The Audit Committee has authority to conduct or authorise investigations into any matter within its scope of responsibility. It is empowered to:

- i. Retain outside Counsel, Auditors or others to advise the Committee or assist in the conduct of investigation.
- ii. Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests or external parties.
- iii. Meet with the Commission's officers, External Auditors or outside Counsel, as may deem necessary.

#### **4.0 COMMITTEE STRUCTURE**

##### **4.1 Membership**

→ The Audit Committee will consist of at least three and not more than five non-executive members. The Clerk, National Assembly will appoint the Committee members and the Chairperson.

##### **4.2 The Chairperson**

The chairperson should be a person with broad knowledge/skills in finance and auditing and preferably with some understanding of the central government financial environment and accountability structure.

##### **4.3 The Secretariat**

The audit committee will be provided with a secretariat which will be housed within the Internal Audit department. The Head of Internal Audit will provide secretarial services to the committee.

The secretariat will be strengthened and given the necessary resources to handle the responsibilities.

#### **5.0 RESPONSIBILITIES OF THE AUDIT COMMITTEE**

The Audit committee is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of Management, the Internal Audit Department, and the External Auditors as far as those duties and responsibilities relate to the Commission's processes for controlling its operations.

The Audit Committee is also responsible for determining that all major issues reported by Internal Audit Department, the External auditors and other outside advisors have been satisfactorily resolved.

Finally the Audit Committee is responsible for reporting to the Commission all important matters pertaining to the Commission's controlling processes.

The Audit Committee will carry out the following responsibilities

#### **Financial Statements**

- i. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent professional and regulatory pronouncements, and understand their impact on financial statements.
- ii. Review with management and external auditors the results of audits, including any difficulties encountered.
- iii. Review the Annual Financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- iv. Review other sections of the Annual report and related regulatory filings before release and consider the accuracy and completeness of information.
- v. Review with management and external auditors all matters required to be communicated to the Commission under the Generally Accepted Auditing Standards.
- vi. Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- vii. Review the draft Annual report with management before it is presented to the Commission and laid before the House..

#### **Internal Control**

- i. Consider the effectiveness of the Commission's internal control over annual and interim financial reporting, including information technology, security and control.
- ii. Understand the scope of Internal and External auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management responses.
- iii. Operationalization and implementation of the Risk Management policy.

#### **Internal Audit**

- i. Review with Management and Head of Internal Audit the Internal Audit Charter, plans, activities, staffing and organizational structure of the internal audit function.
- ii. Ensure there are no unjustified restrictions or limitations in accessing documents and information within PSC by internal auditors.
- iii. Review the effectiveness of the internal audit function, including compliance with Standards for the Professional Practice of Internal Auditing of the Institute of internal Auditors and those of the Institute of Certified Public Accountants of Kenya.
- iv. On a regular basis, meet separately with the Head of Internal Audit to discuss matters the Committee or the Head of Internal Audit believes should be discussed privately.

#### **External Audit**

- i. Review the External Auditors proposed scope and approach, including coordination of audit effort with internal audit.
- ii. Review the performance of External auditors
- iii. Review and confirm the independence of the External Auditors by obtaining statements from the Auditors on relationships between the Auditors and PSC, including non- audit services.
- iv. On a regular basis, meet separately with the Controller and Auditor General or his representative from KNAO to discuss matters that the Committee or the Auditor believes should be discussed privately.

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## **Compliance**

- i. Review the effectiveness of the system of monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- ii. Review the findings of any examinations by regulatory agencies, development partners and any auditor observations.
- iii. Ensuring compliance to legal covenants and terms of funding agreement.
- iv. Review the process of communicating the Code of Conduct to PSC staff/personnel, and for monitoring compliance with the code.
- v. Obtain regular updates from Management and the Legal department regarding compliance matters.
- vi. Review compliance with work plans, targets and other deliverables as may be fit from time to time.

## **Risk Assessment and Management**

- i. Ensure that management has instituted a process of identifying risk and understand that process
- ii. Understand who is responsible for risk identification, assessment and management throughout the organization.
- iii. Understand and agree with the organization's risk appetite
- iv. Agree with the risk mitigation plans put in place by management.

## **Reporting Responsibilities**

- i. Regularly report to the Clerk, National Assembly the Committee activities, issues and related recommendations
- ii. Provide an open avenue of communication between the Head of Internal Audit, the External Auditors and the PSC.
- iii. Review any other reports PSC issues that relate to Committee responsibilities

## **6.0 MEETINGS**

### **6.1 Frequency**

The Audit Committee will meet at least six (6) times a year. However, the chairperson may convene additional meetings as may be deemed necessary.

### **6.2 Quorum**

A minimum of three (3) members, including the Chairperson, of the Audit Committee present will form a quorum

### **6.3 Co-option**

The audit committee may request/ co-opt any member of the staff of the PSC to attend any meeting(s) to assist it with its discussions on any particular matter

## **7.0 ACCESS**

The Head of Internal Audit, the external auditors or their appointed representatives will have unrestricted and confidential access to the chairperson of the Audit Committee at all times.

## **8.0 REPORTING**

### **8.1 Reports to the Clerk, National Assembly**

Reports/minutes will be made available to the Clerk, National Assembly following an audit committee meeting, clearly indicating its findings, conclusions and recommended plan of action

### **8.2 Register of Findings**

A register shall be maintained by the Secretariat on all internal and external audit findings/recommendations deliberated upon by the Audit Committee for follow up and evaluation of the action taken.

## **9.0 COMMUNICATION AND INFORMATION**

The Audit Committee, through the Secretariat will be provided with the following information for each meeting.

### **9.1 Internal Audit Progress Report**

A progress report from the Head of Internal Audit unit summarising;

- i) Work performed compared with work planned.
- ii) Key issues emerging from internal audit work done.
- iii) Management response to audit findings and recommendations.
- iv) Changes to the annual work plan.
- v) Any limitations in resources that affect the implementation of internal audit work.

### **9.2 Communication**

Open lines of communication with key stakeholders and particularly Internal and External Auditors, separately and not always in the presence of management will be encouraged.

## **10.0 TRAINING OF THE COMMITTEE**

All new committee members will participate in an Audit Committee orientation Programme where they will be provided with appropriate background information about the Commission and the workings of the Committee.

All audit committee members need continuous information and training to keep them abreast of significant changes in the organization.

Additionally, the committee will need training on developments in accounting, financial reporting and other issues relevant to the committee work.

#### **11.0 REPORTING RELATIONSHIPS**

The Audit Committee will be independent and shall report to the Clerk, National Assembly. However, the Audit Committee will be expected to ensure that PSC is adequately informed through copies of its reports to the Speaker, National Assembly and to the Treasury where necessary.

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The Head of Internal Audit will report to the Audit Committee functionally/technically but will report to the ~~Chief Executive~~ on administrative issues, and in line with the PSC Act.

#### **12.0 AUDIT COMMITTEE PERFORMANCE EVALUATION**

The performance evaluation of the Audit Committee will be carried out once every three (3) years by an independent firm to be appointed by the Commission.

#### **13.0 FUNDING OF THE COMMITTEE**

The Audit Committee budget will be a line item within the Internal Audit Unit's annual budget. The audit committee will submit the annual planned activities together with the budget which will be approved by the Commission.