



Association of Local Government Auditors

AUDIT COMMITTEES AND AUDITOR INDEPENDENCE

Presentation to:
Oakland Unified School District Audit
Committee
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OBJECTIVES

1. Applaud Board's decision to create an independent audit committee
2. Explain independence and its importance
3. Urge support for performance auditor and *Government Auditing Standards*



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WHY ESTABLISH AN AUDIT COMMITTEE?

- Improve oversight of financial and budgetary controls
- Demonstrate leadership in ethics and accountability
- Assure financial and performance audit independence from superintendent (management)



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WHO SUPPORTS INDEPENDENT AUDIT COMMITTEES?

- Treadway Commission Report of 1987
- Securities and Exchange Commission
- Government Finance Officers' Association
- Sarbanes-Oxley Act of 2002
- American Institute of Certified Public Accountants Standards and Generally Accepted Government Auditing Standards
- Institute of Internal Auditors



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Toolkits for Audit Committees

- **The AICPA Audit Committee Toolkit: Government Organizations, AICPA, 2004**
[The AICPA Audit Committee Toolkit](#)
- **Audit Committee Guide for Public Sector Entities, McGladrey & Pullen, LLP, March 2002**
[Audit Committee Guide for Public Sector Entities](#)
- **The Role of Audit Committees in the Public Sector, The CPA Journal, August 2005**
[Role of Audit Committees in the Public Sector](#)



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AUDIT COMMITTEE OVERSIGHT RESPONSIBILITIES

- Commercial firm providing annual financial statement audit:
 - Selection of firm
 - Open communication among parties
 - Quality, timely financial and compliance reporting
 - Annual audit process; response to management letter
 - Reporting to Board on internal controls and budgetary and financial matters



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AUDIT COMMITTEE COMPOSITION

- Defined in charter or legislation
- Five to seven members; staggered terms
- Common structures:
 - Legislative body
 - Committee of legislative body
 - Citizen based
 - Mix of government and citizen representatives
 - Organization based



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AUDIT COMMITTEE SKILLS

- Collective expertise in:
 - Accounting, auditing, and financial reporting
 - Management and business practices
 - Risk management
- Certifications often required:
 - Certified Public Accountant
 - Certified Internal Auditor
 - Certified Management Accountant



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AUDIT COMMITTEE OVERSIGHT RESPONSIBILITIES (continued)

- Independent performance auditor (Board auditor):
 - Staffing and oversight (if Board appointed auditor)
 - Recommending or selecting Board auditor
 - Recommending salary and budget for staff auditors
 - Advising on annual audit plan
 - Evaluating Board auditor's performance



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WHY ESTABLISH AN INDEPENDENT AUDITOR?

- Enhance accountability
- Earn and increase taxpayer confidence and respect for government
- Provide an independent and objective perspective



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WHAT'S IN A NAME?

- District Auditor
- Inspector General
- Internal Auditor:
 - Public Sector
 - Private Sector



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KEY ELEMENTS OF EFFECTIVE AUDIT FUNCTIONS

- Organizational independence
- Formal mandate
- Unrestricted access
- Sufficient funding
- Competent leadership
- Competent staff
- Stakeholder support
- Professional auditing standards



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INDEPENDENCE . . .

- Required by *Government Auditing Standards*
- Separates audit function from management, who may:
 - Be protective of their programs
 - Interfere with investigations
 - Prevent full disclosure of issues
- Can be achieved by Board or Audit Committee appointment or voter election



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THANK YOU

FOR ADDITIONAL INFORMATION, CONTACT:

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