If silence is golden, speech is platinum. It spreads wisdom, dispels ignorance, ventilates grievances, stimulates curiosity, lightens the spirits and lessens the fundamental loneliness of the soul.

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With increasing attention to financial reporting - by legislators, regulators, security analysts, institutional investors, and others – the roles of boards of directors, audit committees, corporate management, and external and internal auditors are changing. The relationships between these entities are being reshaped by legislation and regulations. The process of identifying emerging principles, practices, and tools for the internal auditor's role in internal controls over financial reporting is defined by Securities and Exchange Commission of Pakistan (SECP) as Code of Corporate Governance (CCG).

Code of Corporate Governance (CCG)
Governance is a buzz word today. At times, though, it may not precisely be understood. For a common understanding, it may be the process which is employed to run government state affairs encompassing entire spectrum of activities, they may be administrative, legal, religious, socio-political, economic or others.

In the contemporary political thought, it is governance process which leads to overall national development, in particular, economic development. Economic development is unimaginable and cannot even be dreamed off without there-being 'good governance' in place. It is such an essential ingredient that without it even the on-going development process would get retarded. Contemporary political history bears testimony to this fact and for that matter our own country is a classic example of it.

Requirement of Internal Auditor according to CCG
As per CCG “There shall be an internal audit function in every listed company. The head of internal audit shall have access to the chair of the Audit Committee. All listed companies shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the reports with the Audit Committee, which shall report matters of significance to the Board of Directors”.

Appointment & Qualification of Internal Audit
There is a weakness in CCG that the qualification of Internal Auditor is not mentioned so can any one be Internal Auditor? The answer is no. Then who are eligible for this post? The eligible ones are the qualified members of ICMAP, IIA, ICAP and other accounting bodies’ members.

Audit Committees
Audit committees and internal auditors have common goals. A good working relationship with internal auditors can assist the audit committee in fulfilling its responsibility to the board of directors, shareholders, and other outside parties. This position statement summarizes the appropriate relationship between audit committees and internal auditing. Audit committee responsibilities encompass activities which are beyond the scope of this statement, and in no way intends it to be a comprehensive description of audit committee responsibilities.

Every public company have an audit committee organized as a standing committee of the board of directors. The establishment of audit
committees in other organizations is encouraged, including not-for-profit and governmental bodies.

The primary responsibilities of the audit committee should involve assisting the board of directors in carrying out its responsibilities as they relate to the organization's accounting policies, internal control, and financial reporting practices. The audit committee should establish and maintain lines of communication between the board and the company's independent auditors, internal auditors, and financial management.

The audit committee should expect internal auditing to examine and evaluate the adequacy and effectiveness of the organization's systems of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditing may be used as a source of information to the audit committee on major frauds or irregularities as well as company compliance with laws and regulations.

To ensure that internal auditors carry out their responsibilities, the audit committee should approve and periodically review the internal audit charter, a management-approved document which states internal audit's purpose, authority, and responsibility. The audit committee should review annually the internal audit department's objectives and goals, audit schedules, staffing plans, and financial budgets. The director of internal auditing should inform the audit committee of the results of audits, highlighting significant audit findings and recommendations. The audit committee should also determine whether internal audit activities are being carried out in accordance with the CCG.

To help assure independence, the director of internal auditing should have direct communication with the audit committee. The director should attend audit committee meetings and meet privately with the audit committee at least annually. Independence is further enhanced when the audit committee concurs in the appointment or removal of the director of internal auditing.

Composition of Audit Committee
According to CCG “The Board of Directors of every listed company shall establish an Audit Committee, which shall comprise not less than three members, including the chairman. Majority of the members of the Committee shall be from among the non-executive directors of the listed company and the chairman of the Audit Committee shall preferably be a non-executive director. The names of members of the Audit Committee shall be disclosed in each annual report of the listed company”.

Frequency of Meetings
The Audit Committee of a listed company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the listed company by its Board of Directors and before and after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the head of internal audit.

Attendance at Meetings
As described in CCG “The CFO, the head of internal audit and a representative of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed. Provided that at least once a year, the Audit Committee shall meet the external auditors without the CFO and the head of internal audit being present. Provided further that at least once a year, the Audit Committee shall meet the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present”.

Authority
The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees—all of whom are directed to cooperate with the committee's requests—or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

Responsibilities Of IA & AC

- Consider an Annual Opinion on Internal Control

Internal audit should be the CEO and CFO’s best source of assurance about internal control. If these officers must stand behind an entity-wide opinion, it only makes sense that they ask for the HIA opinion.
HIA who want to form an entity-wide opinion might want to consult this study, which goes into more depth than we can here.
The first step is to base the annual audit plan on the control model. This should not replace a risk-based audit plan. The organization’s major risks should always be the primary driver of internal audit activities. Rather, it should come after the risk assessment, to ensure that audit coverage will support an opinion on control for the organization as a whole. The basic steps are:
1. Use the existing risk assessment process to identify the organization’s major risks.
2. Identify audits and other assurance projects to address the risks.
3. Identify the Objectives and Components that will be covered in these audit projects, and to what extent each will be covered. Depending on the organization, this might be done informally, or by writing the names of projects, or by coding at a more detailed level.
4. Based on this analysis, estimate the extent of coverage for each cell (e.g., heavy, moderate, light, none)
5. Re-think potential assurance projects. Will the coverage support an opinion on internal control at the end of the year, with legitimate audit evidence for each category that falls within the organization’s chosen scope? If not, how can the plan be modified to provide the needed coverage?

In performing this analysis, several things should be kept in mind:
- The approach should not override the risk-based approach. Where there are gaps, the two approaches should be creatively reconciled. Perhaps the same audit projects, but with modified tools/techniques, would do the job. Perhaps a few lower-risk audits can be replaced. Or there may be other options.
- Audits performed in the recent past or planned for the near future can be taken into consideration. Everything does not have to be covered every year, as long as the overall assurance is reasonable.
- Some of the categories will be more important than others for a given organization and a given point in time. If the HIA chooses to give an opinion on all three Objectives, for example, this does not mean devoting 1/3 of audit time to Operations, 1/3 to Finance, and 1/3 to Compliance. It means giving enough coverage to each Objective and Component—based on the real-world risks facing the organization—to enable the year-end opinion on internal control. The audit plan, of course, changes throughout the year, as risks and audit resources change.
- Consider Audits of Specific Financial Control Processes

The audit department might want to do annual audits of specific processes that are central to financial reporting and disclosure. What these processes are will vary from organization to organization. Examples are Inventory, Accounts Receivable, Accounts Payable, the Closing Process, Sales, Purchases, and Authorizations.
- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.
- Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Review the effectiveness of the internal audit function.
- On a regular basis, meet separately with the chief audit executive to discuss any matters
that the committee or internal audit believes should be discussed privately.

As far as Audit Committees are concerned they generally exercise responsibility in three important areas:
- Financial reporting.
- Corporate governance.
- Corporate control

Financial Reporting
The responsibility of audit committees in the area of financial reporting is to provide assurance that financial disclosures made by management reasonably portray the company's: 1) financial condition; 2) results of operations; and 3) plans and long-term commitments. The specific steps involved in carrying out this responsibility include:
- Recommending the independent accountants.
- Overseeing the external audit coverage, including:
  - Auditor engagement letters.
  - Estimated fees.
  - Timing of auditor visits.
  - Coordination with internal auditing.
  - Monitoring of audit results.
  - Review of auditor performance.
  - Review of non audit services.
  - Reviewing accounting policies and policy decisions.
- Examining the financial statements, including:
  - Interim financial statements.
  - Annual financial statements, auditors' opinion, and management letters.
  - Other reports requiring approval by the board of directors prior to submission to the Securities and Exchange Commission or other government agencies.

With respect to the review of accounting policies and policy decisions, a useful approach would be to require from the chief accounting officer a concise summary of all significant accounting policies underlying the financial statements. This summary should be updated as necessary and reviewed by both the independent accountants and the internal auditor.

Corporate Governance
The responsibility of audit committees in the area of corporate governance is to provide assurance that the corporation is in reasonable compliance with pertinent laws and regulations, is conducting its affairs ethically, and is maintaining effective controls against employee conflict of interest and fraud. The specific steps involved in carrying out this responsibility include:
- Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflict of interest, and the investigation of misconduct and fraud.
- Reviewing current/pending litigation or regulatory proceedings bearing on corporate governance in which the corporation is a party.
- Reviewing significant cases of employee conflict of interest, misconduct, or fraud.
- Requiring the internal auditor to report in writing annually the scope of the reviews of corporate governance and any significant findings.

CORPORATE CONTROL
The responsibility of audit committees for corporate control includes an understanding of the company's key financial reporting risk area and system of internal control. The committee should monitor the control process through internal auditing.

"The scope of the internal audit should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities." The internal auditing is required to:
- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
- Review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports.
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
• Appraise the economy and efficiency with which resources are employed.
• Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

**Significant Development in CCG**
There are two significant developments in CCG which made Internal Auditors more Powerful:

• Internal Auditor functionality reports to Chairman of Audit Committee - which is composed of Board of Directors. Chief Executive can not force Internal Auditor to pass any thing rather he has to comply with Internal Auditor. Now Internal Auditor not only has to check Accounts but also he has to keep an eagle eye on CFO, CEO, Secretary and Board of Directors regarding their workings, policies and decisions. He also has to verify the implementation of the policies.

• The second significant development is that now it has become mandatory to present the Internal Audit report to the External Auditors for review. Then it is qualified. If there is any weakness or malfunctioning carried on in an organization so it will not be concealed any more and will be taken in account and will be accounted.

**Conclusion**
The tasks, responsibilities, and goals of audit committees and internal auditing are closely intertwined in many ways. Certainly, as the magnitude of the "corporate accountability" issue increases, so does the significance of the internal auditing/audit committee relationship. The audit committee has a major responsibility in assuring that the mechanisms for corporate accountability are in place and functioning. Clearly, one of these mechanisms is a solid, well-orchestrated, cooperative relationship with internal auditing.