

Private Sector Audit Committees Is there an Expectation Gap?

Panel Discussion - Nkonki
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What is expected of audit committees?

- Companies Act
- King III, The Combined Code and Smith Guidance, The Blue Ribbon Report , Integrated Reporting Committee
- Composition
- Qualities, “collective knowledge” and skills
- External audit process
- Internal audit process
- Accounting financial statements and integrated reporting
- Finance function
- Combined assurance
- Risk management oversight – significant risk & IT Governance
- Regulatory compliance and governance requirements
- Numerous studies and articles – recognise challenges

Who expects what?

Who

- Board and Management
- Investors
- External auditors
- Regulators
- The general public

What

- Auditor appointment
- Financial Reporting: Quality integrated reporting / combined assurance
- Audit appointment / approval of non-audit services
- Regulatory reporting & Compliance
- Quality of reporting and Uncover fraud

Is there an expectation gap?

Their obligations

- Composition small number and non-executive
- See their role as an oversight function and regulatory but role perceived differently by the media
- Legal duties are at odds with public expectations

Unrealistic expectations?

- Average 3-4 members, part time & independent non-executive directors – insufficient time to meet wider expectations
- AC Expected to prevent and detect of fraud but is unlikely
- Focus on process, or box checking, and too little time for other such as risk management strategy

Is there an expectation gap?

Their Obligations

- Increasing complexity of FRS and legislative & regulatory requirements
- Expect audit committee chairs to be available at companies' AGMs to answer shareholder question
- The crucial issue here is whether the audit committee exists for the benefit of the board or for the benefit of the shareholders

Unrealistic expectations?

- Skills and knowledge increasingly technical FRS & IT Governance
- Limited access by investors – perceived not to be of benefit
- View is that it is the board, since the audit committee is a sub-committee of the board to which certain responsibilities are delegated, and its role is to report to that board

Panel discussion

- What are views of participants?
- Do they think there is an expectation gap?
- If so, how do delegates believe it can be addressed?



Thank you

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