

Inaugural Audit Committee Conference 2011

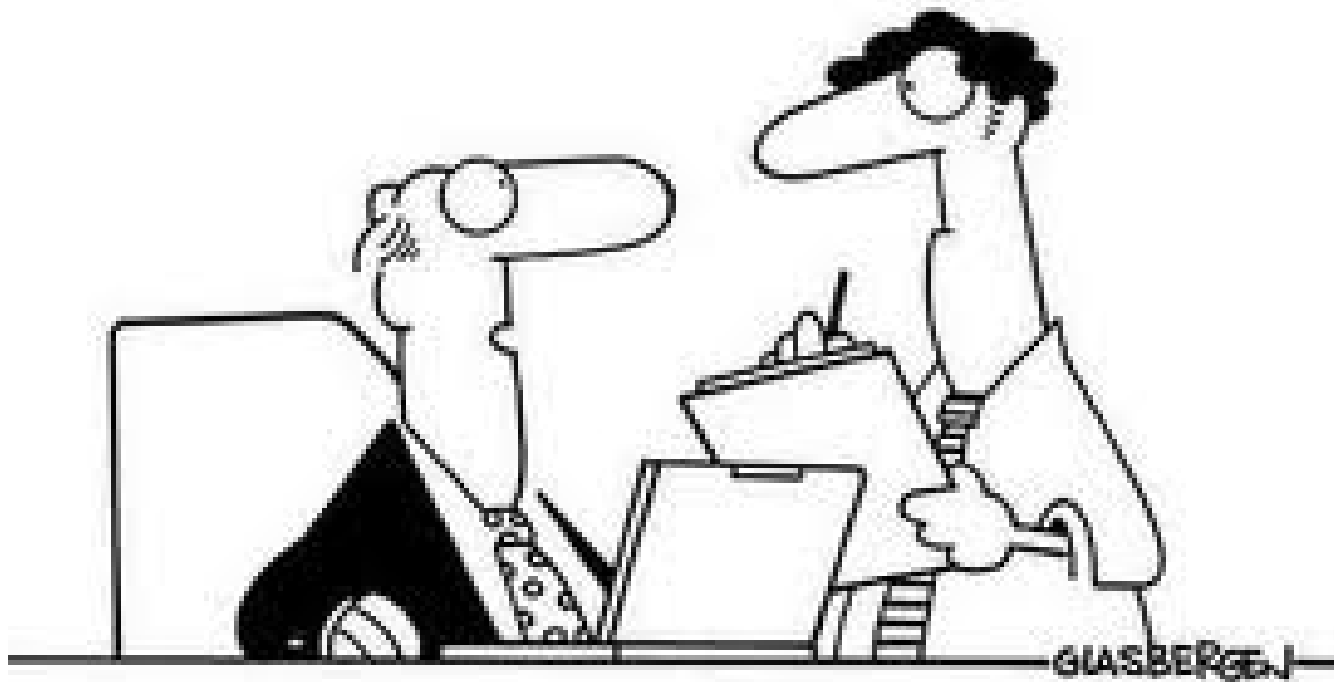
5 - 6 October, Sandton Convention Centre

How Audit Committees Can Arm Themselves

Professor Steven Firer



Registered Auditors | Accountants | Consultants



"Our books are balanced. 50% of our numbers are real and 50% are made up."



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EDUCATION AND EXPERIENCE STRATEGY

Participation in educational or training courses.

Participation in events run by other related professions, e.g. lawyers or accountants.

Participation in conferences, courses, seminars and discussion groups organised by IOD/NKONKI.

Participation in research, either as an individual or as part of a group.

Participation in technical committees, working parties and task forces.

Teaching or mentoring other audit committee members.

Studying for a further qualification, including membership of other professional bodies.

Studying a topic and writing a report or making a presentation to impart the acquired knowledge to colleagues, clients or to a wider audience.



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"IS THERE ANY TRUTH IN THE RUMOUR THAT THERE'S SOMEONE
SITTING AROUND THIS TABLE WHO HASN'T GOT AN ULCER?"



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SKILLED AND EXPERIENCE

"I have in mind a person with the intelligence, experience and understanding to know the right questions to ask of management or the auditors and the forcefulness and tenacity to ask a direct question and insist on a straight answer. Ideally, all audit committee members should have these qualities"

Commissioner Paul S. Atkins (SEC)

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Skill	Nkonki Publication
IFRS	Quick Reference Guide to IFRS – 2010/2011 http://www.nkonki.com/quick_reference_guide_to_IFRS_2010.asp
Integrated Reporting	Integrated Reporting Checklist - http://www.nkonki.com/images/cmn/Checklist.pdf South African Insights Into Integrated Reporting - http://www.nkonki.com/images/cmn/intergrated_reporting_2011.pdf More Than Just Reporting - http://www.nkonki.com/images/cmn/More_than_just_reporting.pdf Quick Wins Towards Excellent Integrated Reporting - http://www.nkonki.com/images/cmn/Quick_Wins.pdf Answers To Frequently Asked Questions - http://www.nkonki.com/images/cmn/Frequently_Asked_Questions.pdf Top 10 guide to sustainability reporting - http://www.nkonki.com/top_ten_guide_to_sustainability_reporting.asp
Financial Controls	Written Assessment of Internal Controls



Skill	Nkonki Publication
Combined Assurance	The Independent Review - http://www.nkonki.com/images/cmn/nkonki_Independent_review.pdf Combined Assurance Internal Audit: Out-Source or In-House
Corporate Law	Companies Act 71 of 2008 Summary of key aspects - http://www.nkonki.com/nkonki_companies_act.asp
Risk Management	Chapter 4: The governance of risk - King III
IT	Chapter 5: The governance of information technology - King III
Governance	Easy Guide to the King III - http://www.nkonki.com/nkonki_kingIII.asp Fraud awareness and whistle blowing - http://www.nkonki.com/images/cmn/Whistle-Blowing.pdf Audit Committee Guide Audit Committee Checklist



Skill	Web Sites
IFRS	https://www.saica.co.za/Default.aspx http://www.ifrs.org/Home.htm
Integrated Reporting	http://www.theiirc.org/ http://www.sustainabilitysa.org/ http://www.globalreporting.org/Home
Financial Controls	http://www.sox-online.com/coso_cobit_coso_framework.html http://www.coso.org/
Combined Assurance	http://www.theiia.org/ http://www.irba.co.za/
Corporate Law	http://www.dti.gov.za/ http://www.ens.co.za/default.asp
Risk Management	http://www.irmsa.org.za/ http://www.rmmag.com/
IT	http://www.isaca.co.za/page.asp?id=1&page=Home
Governance	http://www.ethicsa.org/ http://www.iodsa.co.za/ http://www.corporategovernance.co.za/



30 ATTRIBUTES OF EFFECTIVE AUDIT COMMITTEES

1

- Has appropriate and requisite experience. In this context the term "requisite" means required by laws, regulations or rules.

2

- Has appropriate and requisite technical knowledge about accounting, auditing, tax, internal control, securities laws, and other necessary subject areas.

3

- Satisfies requisite independence requirements.

4

- Is interested in and committed to the company.

5

- Is knowledgeable about the company, and its industry.



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30 ATTRIBUTES OF EFFECTIVE AUDIT COMMITTEES

6

- **Has a willingness to learn about matters relating to the audit committee function.**

7

- **Has a thorough understanding of his or her legal responsibilities.**

8

- **Demonstrates leadership and tone at the top.**

9

- **Has sufficient time availability.**

10

- **Has integrity; doing the right thing attitude.**



30 ATTRIBUTES OF EFFECTIVE AUDIT COMMITTEES

11

- After due consideration is comfortable (i.e., satisfied) that the committee has complied with the laws, regulations, rules, and Charter provisions that govern and relate to audit committee activities.

12

- Reviews and is comfortable with the accuracy of financial statement related documents, securities filings and corporate communications to the extent required by laws, regulations, rules, and audit committee Charter provisions.

13

- Reviews and is comfortable with the accuracy of all documents and statements signed by or attributed to the committee member, or the committee.

14

- Is comfortable with the other audit committee members, CEO, CFO, inside auditor, outside auditor, board, counsel, and others.

15

- What have I omitted? Generally, I would say, overall perspective, individual self-confidence, humility, and conviction. What attributes are on your list?



30 ATTRIBUTES OF EFFECTIVE AUDIT COMMITTEES

16

- The ease and demeanor of communications between the committee members are appropriate.

17

- The ease and demeanor of communications with people outside of the committee are appropriate, including with the CEO, CFO, Controller, outside auditor, inside auditor, board, legal counsel and others.

18

- The committee has appropriate accessibility to information and resources, paid for by the company.

19

- The committee has appropriate accessibility to continuing education about core areas, new developments, and hot topics, paid for by the company.

20

- The committee has accessibility to independent legal counsel and consultants, paid for by the company.



30 ATTRIBUTES OF EFFECTIVE AUDIT COMMITTEES

21

- There is an audit committee Charter. There is a mutual understanding of the responsibilities and functions of the committee, and of the activities for which the committee is not responsible.

22

- There are prudent processes for the documentation of committee activities.

23

- The activities and performance of the audit committee are evaluated annually, or more often as necessary.

24

- There is sufficient and prudent audit committee and related insurance coverage.

25

- There are prudent procedures for the timing, calendaring, and organization of committee activities.



30 ATTRIBUTES OF EFFECTIVE AUDIT COMMITTEES

26

- There are effective meeting agenda preparation and dissemination processes.

27

- There are prudent issue spotting, evaluation, investigation, informed decision making, and follow-up processes.

28

- Meetings are conducted in a collaborative, participatory, interactive and organized manner.

29

- The services of the outside auditor, and the outside auditor selection process are evaluated annually, or more often as necessary.

30

- There are appropriate and effective anonymous whistleblower and complaint, inquiry and investigation processes.





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(011) 517 3000 | www.nkonki.com

