Role of the Audit Committee in Enhancing Financial Reporting

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Outline

- The New Zealand situation regarding Audit Committees
- Audit Committees’ oversight of financial reporting – some thoughts
- Audit Committees and building public trust
- Audit Committees in the public sector
The NZ Situation and Experience

- Financial Markets Authority Governance Principles
- NZ Stock Exchange Listing Rules
- Increasing occurrence in the wider NZ environment
  - including the public sector

Oversight of Financial Reporting Role

- Audit Committees are key in:
  - Ensuring robust discussion about financial reporting issues
  - Bringing together
    - Management
    - Internal auditors
    - External auditors
Oversight of Financial Reporting Role

- Audit Committees need to understand
  - Key accounting issues, through
    • Making frank inquiries of management
    • Obtaining external auditor comment
    • Discussing issues early
  - Significant forthcoming financial reporting developments
    • And management’s response to them, including public positions taken on matters such as exposure drafts

Building Public Trust in Financial Reporting

- Some ideas
  - A greater role for Audit Committees in contributing to the understandability of financial reports?
  - A greater role for experts offering advice to Audit Committees?
  - More reporting about the activity of Audit Committees?
Audit Committees in the Public Sector

- Have become far more commonplace in the NZ public sector
  - Advocated by successive Auditors-General
- The Audit Committee’s Role is equally applicable
  - Public accountability makes it even more important
    - even in entities governed by a single person