

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

