

# Using Your Audit & Risk Committee Effectively

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2<sup>nd</sup> Concurrent Afternoon Session – Amokura Gallery, Level 4

DATE: 26<sup>th</sup> March 2019

Warren Allen

# Agenda

- Welcome and Introduction
- Key Differences of ARCs in the Public Sector
- How to Add Value
- Avoid the Traps
- Be careful
- Benefits from a well-functioning ARC
- Concluding comments
- Panel Discussion – Including Steve Walker

# Differences of ARCs in the Public Sector

## Private Sector :

- Formal sub-committee of the Board
- Comprises Board members only
- Required by regulations –
  - NZX Listing Rules
  - FMA Guidance
- Formal structure and responsibilities
- Restricted agenda – narrow focus
- Long history of good practice
- Well – established as part of corporate culture



# Differences of ARCs in the Public Sector

## Public Sector :

- Not legislatively required
- Generally comprises external members
- At request of CE or Governing Body
- Needs to add value to survive
- Flexibility of structure and responsibilities
- Flexibility of agenda – can be wide focus
- Good practice not well documented
- Not well – understood as part of public sector culture
- Strongly recommended by OAG



## How to Add Value

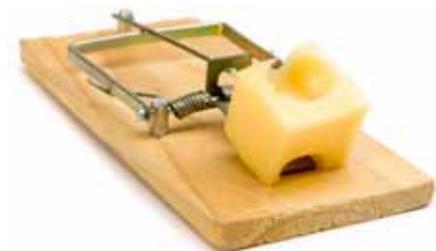
- Respond to CE's/Council's needs – regular communication
- External members need to become very familiar with entity
- The CE's role can be a lonely one - use ARC as a “sounding board”
- Have a degree of formality – follow-up on actions
- Divide the agenda – assurance/systems/strategy
- Pre-meetings with Internal Auditor and CE/Chair
- Have regular presentations from second tier management
- Include behaviour and culture topics
- Free and frank debate.



# Avoid the Traps

## Avoid:

- Exclusively internal members
- Total concentration on assurance
- Infrequent meetings – or easily cancellable
- No action taken on matters raised
- Too much of the detail - these are senior people – utilise their skills and experiences appropriately
- Capture by external or internal auditors.



## Be Careful

- An ARC cannot remove ultimate responsibility
- Keep external auditors to task – timeliness is essential
- ARC Chair needs to be active -
  - Meet regularly with CE
  - Meet regularly with internal audit
  - Included in appropriate information channels of the entity
- Take the ARC into full confidence – security clearance
- Regularly test the effectiveness with the CE
- ARC members – dichotomy of institutional knowledge and new skills and experience.



## Benefits from a well – functioning ARC

- Excellent forum for senior management to present their projects
- Opportunity for CE to test ideas outside the full glare of the organisation
- Gives CE assurance on:-
  - financial management
  - key systems
  - strategies
- Proper visibility within organisation of audit both internal and external
- Strengthens the governance structure
- Excellent opportunity to involve some outstanding expertise - at very reasonable cost.



# Concluding Comments

- Example of an ARC that is effective and adds value
  - Regular Communication
  - Consulting on Agenda
  - Regularly testing effectiveness
  - Agenda split in three
- Encourage your ARC Chair to participate in OAG Forum
- Balance the skills when selecting external members
- Embed as a key part of governance structure – be committed.





Panel discussion including Steve Walker