



**Governance in focus**

Audit committee effectiveness in Denmark

January 2018





Dear Audit Committee Member

Being an audit committee member today is more complex than ever. As well as increased reporting requirements, there is a demand for higher transparency from shareholders and analysts and increased compliance across many industry sectors. We are also experiencing a wave of new risks, from cyber attacks to crises and reputational issues that require careful navigation at board level. The role of the audit committee member is not one to be underestimated, but how do you ensure that your audit committee is as effective as it should be?

This fervid environment has only increased focus on the work of the audit committee. Last year, audit committees in Denmark experienced key financial reporting risks being made public for the first time, via the new enhanced auditor's report (the so-called key audit matters). Public audit committee reporting exists in a number of countries, including the UK, which begs the question as to if and when it may become a requirement in Denmark. How are you meant to keep up to date with all of these changes?

We believe the time is right for Danish companies to benefit from a framework to evaluate the effectiveness of the audit committee and we have invested in building this new tool for you.

We have based our framework on the latest Danish Recommendations on Corporate Governance (RCGs), issued by the Committee on Corporate Governance on 23 November 2017, which are concise and digestible. The RCGs are used by listed and many other leading Danish companies when establishing their board charters and preparing their corporate governance reports. However, when we prepared our dedicated Danish evaluation framework, we found that the RCGs need some help if an audit committee wishes to be confident that it creates value and operates effectively. We therefore turned our attention to other leading sources of guidance for audit committees around the world.

This new framework therefore incorporates the latest RCGs, legal requirements as well as leading practice guidance from elsewhere around the world.

We will keep this guide updated so please get in touch if you would like to make contributions or observations for future editions.

If you share our belief in the catalytic benefit that arises from professional external challenge and facilitation, we would be very pleased to hear from you and perform an effectiveness review for your audit committee.

Yours sincerely

Martin Faarborg  
Partner  
Leader, Deloitte Centre for Corporate Governance in Denmark



# How to use this framework

This practical guide covers key aspects of the audit committee’s remit. As well as providing regulatory considerations, it also sets out qualitative considerations, which will help to differentiate an effective audit committee from one, which is just ticking the boxes.

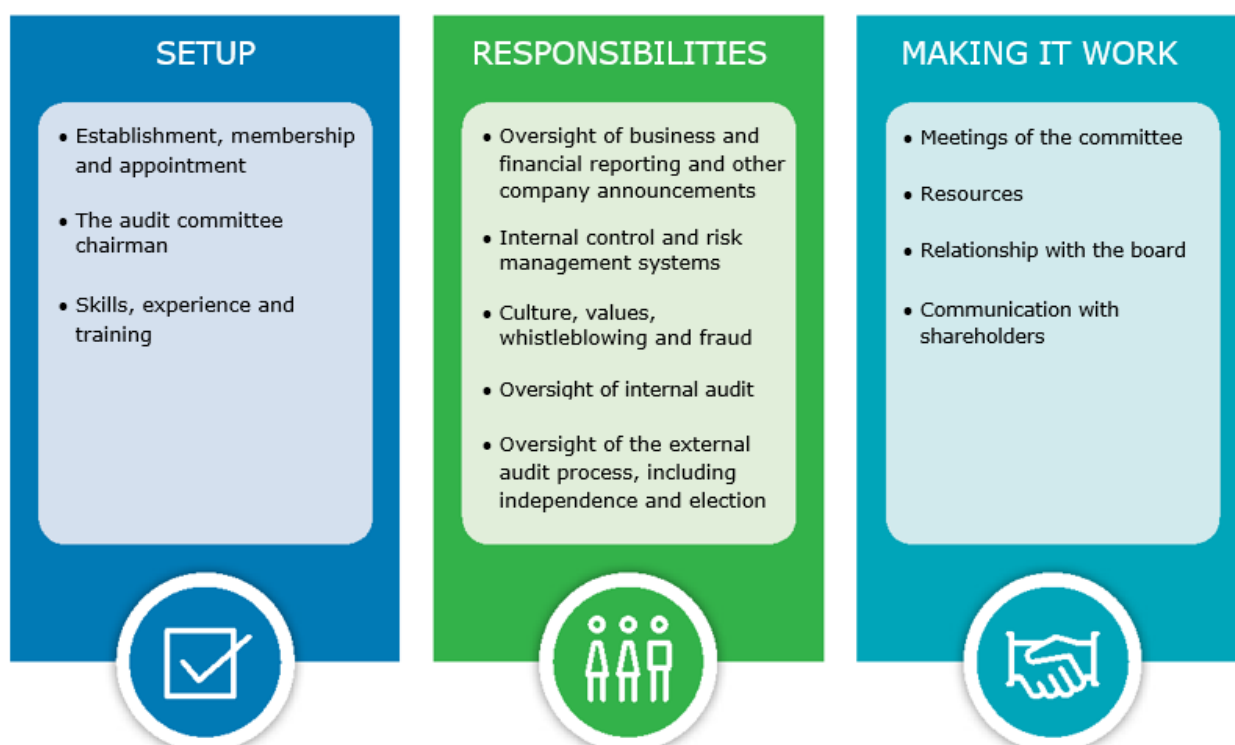
In Denmark, the legal provisions can be found in the Danish Public Accountants Act. This Act defines six requirements to audit committees. Besides that the Recommendations on Corporate Governance (RCG), issued by the Committee on Corporate Governance, provides companies with recommendations on designing their corporate governance and provides information that goes beyond what is stipulated by law. The RCG recommendations for audit committees are relatively concise. It also ensures that companies retain a certain level of flexibility in their organisation.

In addition to this, we have included audit committee guidance from other jurisdictions, which can be viewed as leading practice.

The response options we have included are Yes, no or not applicable given the binary nature of these questions. You can add more details and any actions in the spaces provided.

The framework is structured as follows, by theme:

<b>The Danish Public Accountants Act</b>	This provides the legal provisions in relation to the audit committee
<b>Danish Recommendations on Corporate Governance</b>	This provides the recommendations provided by the Danish Committee on Corporate Governance in relation to the audit committee
<b>Guidance on audit committees</b>	Detailed leading practices from around the world
<b>Qualitative considerations</b>	Key qualitative considerations which will help differentiate an effective audit committee from one, which is just ticking the boxes



# Summary

Based on the findings in the later section, give each area an overall rating and include an action plan where appropriate:

	Area for Focus	Performing as expected	Special strength	Actions
Establishment, membership and appointment				
The audit committee chairperson				
Skills, experience and training				
Meetings of the committee				
Resources				
Relationship with the board				
Oversight of business and financial reporting and other company announcements				
Internal control and risk management systems				
Culture, values, whistleblowing and fraud				
Oversight of internal audit				
Oversight of the external audit process, including independence and election				
Communication with shareholders				

# Audit committee effectiveness considerations

		Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
<b>1</b>	<b>Establishment, membership and appointment</b>				
	<b>Danish Public Accountants Act</b>				
1.1	The audit committee must consist of members of the company's board of directors, supervisory board or persons elected at the company's general meeting or similar body to sit on the committee.				
1.2	The majority of members of the audit committee, including the chairperson, must be independent unless the audit committee is composed only of members of the company's board of directors or supervisory board.				
1.3	At least one member must have qualifications within accounting or auditing.				
1.4	The members of the audit committee must together hold competencies of relevance to the company's sector.				
	<b>Danish Recommendations on Corporate Governance</b>				
1.5	It is recommended that a majority of the members of the audit committee are independent.				
1.6	It is recommended that the chairperson of the board of directors is not the chairperson of the audit committee.				
1.7	It is recommended that the audit committee is composed only of members of the company's board of directors, and not any external parties.				
	<b>Guidance on audit committees</b>				
1.8	The committee members have taken steps to understand the culture, values and issues of the business and this is reflected in their behaviour.				
1.9	The personal qualities of the audit committee members generally fit well with the organisation, but are such as to avoid "groupthink" (conformism, avoidance of conflicting viewpoints etc.).				
1.10	There is a clear succession plan in place for future membership of the audit committee, allowing the nomination committee adequate time to consider appropriate replacements.				
1.11	Appointments to the audit committee are made by the board on the recommendation of the nomination committee, in consultation with the audit committee chairperson.				
<b>2.</b>	<b>The audit committee chairperson</b>				
	<b>Guidance on audit committees</b>				
2.1	The committee chairperson is demonstrably committed to the integrity of all aspects of corporate reporting (both in the annual report and on the company website), internal control, risk management and audit quality.				
2.2	The audit committee chairperson inspires confidence. The audit committee values his/her opinion and believes that the chairperson demonstrates clear leadership of the committee and acts as a driving force within the committee to ensure that all audit committee members are contributing effectively.				
2.3	The personal qualities of the audit committee chairperson fit well with the culture of the organisation and the other members of the board.				
2.4	The audit committee chairperson demonstrates good knowledge of the company, strong current technical knowledge and professional scepticism, challenging management, including the CFO, the chief risk officer, the director of internal audit and the external auditors where appropriate.				
2.5	The audit committee chairperson performs his/her role with enthusiasm, acts as a catalyst for change and brings ideas and insights to help the organisation to be more successful.				

	Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
2.6				The audit committee chairperson has the confidence of shareholders and is available for meetings with them if requested.
2.7				The remuneration of the audit committee chairperson reflects the heavier responsibilities and time demands of this role.
2.8				Where applicable, the transition to a new audit committee chairperson was handled efficiently and effectively.
<b>3. Skills, experience and training</b>				
<b>Guidance on audit committees</b>				
3.1				An induction programme is provided for new audit committee members, covering the role of the audit committee, its terms of reference, expected time commitment and an overview of the company's business model and strategy, identifying the main business and financial dynamics and risks. The committee also gets the opportunity to meet some of the company staff.
3.2				Training is provided on an ongoing and timely basis and includes an understanding of the principles of and developments in corporate reporting and regulation.
<b>Qualitative considerations</b>				
3.3				Induction training provides committee members with adequate knowledge regarding the company's business model, strategy and key stakeholder relationships, including opportunities to visit the business operations, and regarding their role and responsibilities as audit committee members.
3.4				The ongoing training requirements of committee members are agreed at the start of each year with each board member according to their specific needs and developments arising.
<b>4 Meetings of the committee</b>				
<b>Guidance on audit committees</b>				
4.1				The number of audit committee meetings is sufficient to meet the role and responsibilities, and the meetings are held to coincide with key dates within the financial reporting and audit cycle.
4.2				There is sufficient time between audit committee meetings and main board meetings to allow any work arising from the audit committee meeting to be carried out and reported to the board as appropriate.
4.3				No one other than the audit committee chairperson and members receive automatic formal invitations to a meeting of the audit committee. The external audit partners, the CFO and head of internal audit are invited to attend every meeting or on a regular basis.
4.4				At least once a year the audit committee meets the internal auditors without management present.
4.5				At least once a year the audit committee meets the external auditors without management present.
4.6				The audit committee chairperson keeps in touch on a continuing basis with the key people involved in the company's governance, including the board chairperson, the chief executive, the CFO, the external audit lead partner and the head of internal audit.
<b>Qualitative considerations</b>				
4.7				The committee's agenda is set in a timely manner and circulated well in advance of meetings to all members with appropriate supporting papers (for decisions, discussions and information only).
4.8				There is a clear plan for the year to ensure that all matters falling within the remit of the audit committee are covered over the period of the year.
4.9				Items on the agenda are set with consideration of regulatory requirements and the company's reporting timetable, key issues identified by management, the chief risk officer, the head of internal audit and the external auditors.
4.10				The agenda gives appropriate focus on the most important issues, key judgements, and risk areas, ensuring that the committee's time and focus is spent on the most critical areas.



		Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
4.11	The agenda allows for flexibility, or further meetings are held where appropriate, should the committee need to spend additional time on issues which cannot be resolved in the allotted time within meetings.				
4.12	Meetings of the committee are of an appropriate length and ensure that all key agenda items are well considered, and allow each member the opportunity to raise any further queries or areas for discussion as necessary.				
4.13	Committee members participate in active discussion and debate, with appropriate contribution from each member, around key agenda items.				
4.14	Minutes of meetings are taken and appropriately circulated to all committee members in a timely manner, with actions arising noted and their resolution tracked from meeting to meeting.				
4.15	Appropriate reference is made to other board committees to follow up on matters where there is overlap in responsibilities, for example a risk, investment or corporate governance committee.				
<b>5</b>	<b>Resources</b>				
	<b>Guidance on audit committees</b>				
5.1	The audit committee is provided with sufficient resources to undertake its duties.				
5.2	The audit committee has access to the services of the company secretary on all audit committee matters, including; assisting the chairperson in planning the audit committee's work, drawing up meeting agendas, taking minutes, drafting material about its activities for the annual report (e.g. corporate governance report), collection and distribution of information and provision of any necessary practical support.				
5.3	The company secretary ensures that the audit committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.				
5.4	The board makes funds available to the audit committee to enable it to take independent legal, accounting or other advice when the audit committee reasonably believes it necessary to do so.				
	<b>Qualitative considerations</b>				
5.5	Members of the audit committee have access to sufficient current knowledge of the organisation's industry, business, performance against peers and technical issues to appropriately fulfil their duties.				
<b>6</b>	<b>Relationship with the board</b>				
	<b>Danish Public Accountants Act</b>				
6.1	The audit committee is to inform those charged with governance (e.g. the board of directors) about the outcome of the statutory audit, including the financial reporting process.				
	<b>Danish Recommendations on Corporate Governance</b>				
6.2	It is recommended that, prior to the approval of the annual report and other financial reports, the audit committee reports to the board of directors about: <ul style="list-style-type: none"> <li>significant accounting policies</li> <li>significant accounting estimates</li> <li>related party transactions, and</li> <li>uncertainties and risks, including also those related to the outlook for the current year.</li> </ul>				
	<b>Guidance on audit committees</b>				
6.3	The main role and responsibilities of the audit committee are set out in written terms of reference (or audit committee charter) tailored to the particular circumstances of the company.				
6.4	The audit committee reviews the terms of reference (or audit committee charter) annually and proposes to the board any changes thereto.				
6.5	The audit committee and the board review the effectiveness of the audit committee annually.				

	Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
6.6				Disagreements between the audit committee and the board are given adequate time for discussion.
6.7				The audit committee discusses what information and assurance it requires in order to properly carry out its roles to review, monitor and provide assurance or recommendations to the board and, where there are gaps, how these should be addressed. The audit committee satisfies itself that these sources of assurance and information are sufficient and objective.
<b>Qualitative considerations</b>				
6.8				There is clarity and agreement around the responsibilities delegated to the audit committee by the board.
6.9				Sufficient time is allocated on the board agenda to enable a full report to be provided by the audit committee chairperson on the work of the audit committee.
6.10				The audit committee chairperson acts as a representative for the committee to the board and works closely with the board.
6.11				The audit committee and board have established clear criteria for assessing the effectiveness of the audit committee to perform their annual assessment.
<b>7 Oversight of business and financial reporting and other company announcements</b>				
<b>Danish Public Accountants Act</b>				
7.1				The audit committee has to oversee the financial reporting process and make recommendations or proposals to safeguard integrity.
<b>Danish Recommendations on Corporate Governance</b>				
7.2				It is recommended that, prior to the approval of the annual report and other financial reports, the audit committee monitors: <ul style="list-style-type: none"> <li>• significant accounting policies</li> <li>• significant accounting estimates</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including also those related to the outlook for the current year.</li> </ul>
<b>Guidance on audit committees</b>				
7.3				The audit committee meets with management and the external auditor to oversee and evaluate the financial reporting processes for preparation of the annual report and interim financial reports, and make recommendations or proposals to safeguard the integrity of the processes.
7.4				The audit committee considers key matters of its own initiative rather than relying solely on the work of the external auditor.
7.5				The audit committee reviews and reports to the board on the significant financial reporting issues and judgements made in connection with the preparation of the company's financial statements, interim financial statements, preliminary announcements and related formal statements.
7.6				The audit committee considers changes in significant accounting policies, including new regulation and financial reporting standards' effect on future annual reports of the company.
7.7				The audit committee reviews the clarity and completeness of disclosures in the financial statements and considers whether the disclosures made are set properly in context.
7.8				If the audit committee is not satisfied with any aspect of the proposed financial reporting by the company, it reports its views to the board.
7.9				The audit committee reviews related information presented with the financial statements, including narrative reporting ("front half") and the corporate governance report relating to risk management.
7.10				Whenever practicable, statements made by the company containing financial information are reviewed by the audit committee before board approval is given.

		Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
7.11	When advising the board on the recommendation for approval of the financial statements at the General Shareholders' meeting, the audit committee assesses whether other information presented in the annual report is consistent with the financial statements.				
<b>Qualitative considerations</b>					
7.12	The audit committee has a clear understanding of each of the significant financial reporting issues and judgements in connection with the preparation of the company's financial statements, and if applicable, interim reports, preliminary announcements and other public statements.				
7.13	The audit committee understands the pervasive nature of management forecasts both for the significant judgements affecting financial reporting and the assessment of longer term viability of the company and is satisfied that the forecasting process is robust.				
7.14	The audit committee at least annually assesses whether the company has adopted appropriate accounting policies.				
7.15	The audit committee has asked management to explain the reason that misstatements have been identified by the auditors and requested that all significant adjustments are booked.				
7.16	The audit committee has asked management to explain the reason for any significant disclosure deficiencies reported by the auditors.				
7.17	The audit committee receives regular reports on any proposed related-party transactions prior to their consummation.				
7.18	The audit committee reviews all earnings press releases and the financial information and earnings guidance provided to analysts and ratings agencies and recommends their release to the board.				
7.19	The audit committee has considered and is satisfied with the company's tax strategy, state of tax compliance, including compliance with country-by-country reporting requirements, and the reporting of tax arrangements to shareholders.				
7.20	When reviewing the annual report and other company announcements, the audit committee considers the quality of reporting on the following matters: <i>Dividends</i> – is it clear how dividend policies operate in practice and how those policies may be impacted by the risks and capital management decisions facing the company? <i>Low interest rates</i> – have these been taken into consideration in relation to amounts currently reported in the financial statements? <i>Foreign exchange impact</i> – is it clear how movements in exchange rates have impacted the financial results? <i>Defined benefit pension scheme reporting</i> – is there adequate explanation for the risks to which the company is exposed? <i>Alternative performance measures</i> ("non-GAAP measures") – are these well-defined and explained and given appropriate prominence? <i>Forthcoming IFRS</i> – is there clarity around the likely impact of each of the new standards and progress of implementation?				
7.21	The audit committee (unless this is under the remit of the nomination committee) assesses the skills and competencies of the CFO and the adequacy of the finance function. Consideration is also given to CFO succession planning.				
<b>8 Internal control and risk management systems</b>					
<b>Danish Public Accountants Act</b>					
8.1	The audit committee has to monitor whether the company's internal control system, internal audit function, if any, and risk management systems function effectively with respect to financial reporting of the company, without violating its independence.				

	Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
<b>Guidance on audit committees</b>				
8.2				In cases where the board of directors delegates the performance of the annual or semi-annual risk assessment to the audit committee, the audit committee reviews the risk assessment prepared by management, challenges management on the completeness and accuracy of the documentation and makes appropriate recommendations for approval by the board.
8.3				Except where the board or a risk committee is expressly responsible for reviewing the effectiveness of the internal control and risk management systems, the audit committee receives reports from management on the effectiveness of the systems they have established and the conclusions of any testing carried out by internal or external auditors.
8.4				The audit committee considers the level of assurance it is getting on the risk management and internal control systems, including internal financial controls, and whether this is enough to help the board in satisfying itself that they are operating effectively.
8.5				The audit committee reviews and recommends to the board the statements included in the annual report in relation to internal control and risk management.
<b>Qualitative considerations</b>				
8.6				The audit committee has a good understanding of how the company identifies, assesses, manages and monitors risk.
8.7				The audit committee has a good understanding of how the company develops, operates and monitors the system of internal control.
8.8				The audit committee is satisfied that an appropriate risk culture has been instilled throughout the company and has considered the impact of reward systems on that risk culture.
8.9				The frequency and scope of the audit committee and board discussions on strategy, capital and risk is sufficient and appropriate.
8.10				The nature, source, format and frequency of information on risk management and internal control submitted to the committee and the board is fit for the purpose.
8.11				The audit committee has reviewed the mechanisms that management is using to monitor emerging risks and is satisfied that the company's list of principal risks is being periodically reassessed.
8.12				The audit committee is aware of the company's cyber risk activity, receives regular updates on management and mitigation of cyber risk and has received appropriate training to meet its responsibilities.
8.13				The audit committee has a high-level understanding of the group's tax planning and tax risk and is satisfied that these risks are being dealt with appropriately by the company's tax department.
8.14				The audit committee receives regular reports from the company's treasury function on its risk management and internal control systems.
8.15				Where any significant failings or weaknesses in internal control or risk management have arisen, the audit committee has received confirmation from an appropriate source that necessary actions have been/are being taken promptly to remedy those failings or weaknesses and seen evidence of those actions or planned actions.
<b>9. Culture, values, whistleblowing and fraud</b>				
<b>Recommendations on Corporate Governance</b>				
9.1				It is recommended that the board of directors decides whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing. It is also recommended that the reporting under the whistleblower scheme goes to the whole board, and not only the audit committee.
<b>Guidance on audit committees</b>				
9.2				The audit committee reviews arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

		Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
9.3	The audit committee has reviewed the key controls in place within the company to mitigate the risk of material misstatement in the financial statements due to fraud and has discussed these with the auditors.				
9.4	The audit committee has discussed with the external auditors how they have responded to the risks of material misstatement due to fraud [as required by ISA 240]. In particular: <ul style="list-style-type: none"> <li>whether the auditors have had discussions with management (including management from outside the finance function) and internal audit regarding fraud risks;</li> <li>the auditors' assessment of the level of risk of management override of controls; and</li> <li>the audit procedures they have performed in response to the risk of management override; and the auditors' approach to the testing of journal entries and whether computer assisted audit techniques have been used.</li> </ul>				
9.5	The audit committee has reviewed the key controls in place to mitigate the risk of material misstatement due to non-compliance with laws and regulations and has discussed these with the auditors [as required by ISA 250].				
<b>Qualitative considerations</b>					
9.6	The audit committee has good visibility of how corporate culture and behaviours are embedded and has confidence that there is alignment of business purpose, values, strategy and incentives where people at all levels of the company understand the values of the company and act in accordance with those values.				
9.7	The audit committee forms an impression of the state of compliance within the company.				
9.8	The audit committee receives regular reports from the company's compliance officer and is satisfied that compliance failures are being dealt with appropriately.				
9.9	The audit committee has discussed its oversight of management's processes for identifying and responding to risks of fraud.				
<b>10 Oversight of internal audit</b>					
<b>Danish Public Accountants Act</b>					
10.1	The audit committee has to monitor whether the company's internal audit function functions effectively with respect to financial reporting of the company, without violating its independence.				
10.2	The audit committee has to monitor the statutory audit of the financial statements etc., including the work undertaken by the internal audit function.				
<b>Recommendations on Corporate Governance</b>					
10.3	It is recommended that the audit committee: <ul style="list-style-type: none"> <li>annually assesses the need for an internal audit, and in such case, makes an internal audit charter (or terms of reference) and recommendations for selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function,</li> <li>ensures that a functional description for the internal audit function exists and is approved by the board of directors,</li> <li>ensures that sufficient resources and competencies are provided to the internal audit function, and</li> <li>monitors the executive management's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>				
<b>Guidance on audit committees</b>					
10.4	The audit committee monitors and reviews the effectiveness of the internal audit activities, if any.				
10.5	When undertaking its assessment of the need for an internal audit function, the audit committee considers whether there are any trends or current factors relevant to the company's activities, markets or other aspects of its external environment that have increased, or are expected to increase, the risks faced by the company (this would include internal factors such as organisational restructuring or from changes in reporting processes or underlying information systems).				

	Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
				Other matters taken into account include adverse trends evident from the monitoring of internal control systems or an increased incidence of unexpected occurrences.
10.6				In the absence of an internal audit function, the audit committee assesses whether the other monitoring processes applied by management provide sufficient and objective assurance.
10.7				The audit committee reviews and annually approves the internal audit charter (or terms of reference) to ensure that it is appropriate to the current needs of the organisation.
10.8				The audit committee reviews and approves internal audit's role and mandate, approves the annual internal audit plan and monitors and reviews the effectiveness of its work.
10.9				The audit committee ensures that the internal audit plan is aligned to the key risks of the business.
10.10				The audit committee pays particular attention to the areas in which work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and oversee these relationships to ensure that they are co-ordinated and operate effectively to avoid duplication.
10.11				The audit committee ensures that there is open communication between the different functions and that the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its internal audit plan.
10.12				The audit committee ensures that the internal audit function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.
10.13				The audit committee approves the appointment or termination of appointment of the head of internal audit.
10.14				Internal audit has access to the audit committee and board chairperson where necessary and has a reporting line which enables it to be independent of the executive management and so able to exercise independent judgement.
10.15				The audit committee is satisfied that the quality, experience and expertise of the internal audit function is appropriate for the business.
10.16				The audit committee considers the actions that management has taken to implement the recommendations of internal audit and whether these properly support the effective working of the internal audit function.
10.17				In assessing the work of the internal audit function, the audit committee: <ul style="list-style-type: none"> <li>• meets the head of internal audit without the presence of management;</li> <li>• reviews and assesses the annual internal audit work plan;</li> <li>• receives reports on the results of the internal auditor's work; and</li> <li>• monitors and assesses the role and effectiveness of the internal audit function in the overall context of the company's risk management system.</li> </ul>
10.18				The audit committee considers whether an independent third party review of internal audit effectiveness and process is appropriate.
<b>Qualitative considerations</b>				
10.19				The audit committee sets a "tone from the top" which promotes acceptance and support for internal audit throughout the company.
10.20				The audit committee chairperson is responsible for appointing and removing the head of internal audit, sets their objectives and performs their appraisals against these objectives.
10.21				The internal audit plan is sufficiently flexible and dynamic to address new risks and meet the emerging needs of the audit committee promptly.
10.22				Communication from the internal audit team to the audit committee is frequent, timely and provides the audit committee with a clear summary of work performed, results from this work, recommendations and any mitigating actions taken.

		Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
10.23	The audit committee reviews all unsatisfactory reports to determine if they arise from significant failings or weaknesses in internal control requiring disclosure in the annual report and accounts.				
<b>11</b>	<b>Oversight of the external audit process, including independence and election</b>				
	<b>Danish Public Accountants Act</b>				
11.1	The audit committee has to oversee the statutory audit of the financial statements etc., taking into consideration the outcome of the latest quality assurance review of the audit firm.				
11.2	The audit committee has to check and oversee the auditor's independence in accordance with Article 6 of Regulation (EU) no 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and approve the auditor's provision of non-audit services, see Article 5 of this Regulation.				
11.3	The audit committee has to be responsible for the procedure for selecting and presenting a reasoned recommendation to the board for election of statutory auditors in accordance with Article 16 of Regulation (EU) no 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. In addition, it should be stated in the recommendation that the audit committee has not been affected by third parties and has not been subject to agreements which restricted the annual general meeting's election of auditors, cf. the specific requirements in Article 16, 2, 3rd paragraph of the Regulation noted above.				
	<b>Guidance on audit committees</b>				
11.4	The audit committee reviews the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.				
11.5	The audit committee develops and implements a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and reports to the board.				
11.6	The audit committee has primary responsibility for the appointment of the auditor (subject to the formal voting at the annual general meeting). This includes negotiating the fee and scope of the audit, initiating a tender process, influencing the appointment of an engagement partner and making formal recommendations to the board on the appointment, reappointment and removal of the external auditors.				
11.7	The audit committee is responsible for the selection procedure for the appointment of audit firms, including overseeing the selection process and ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process.				
11.8	The audit committee assesses annually the qualification, expertise, resources, and independence of the external auditors and the effectiveness of the audit process.				
11.9	Where the external auditor has resigned, the audit committee has investigated the issues giving rise to such resignation and considered whether any action is required.				
11.10	The audit committee evaluates the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communication with the audit committee.				
11.11	The audit committee approves the terms of engagement and the remuneration to be paid to the external auditor, satisfying itself that the level of fee payable in respect of audit services is appropriate and that an effective, high quality, audit can be conducted for such a fee.				
11.12	The audit committee assesses the independence and objectivity of the external auditor annually, taking into consideration relevant Danish regulation and other professional requirements.				
11.13	At the start of each annual audit cycle, the audit committee ensures that appropriate plans are in place for the external audit, in particular the audit strategy, significant audit risks and materiality levels, as well as the engagement letter.				

	Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
11.14				The audit committee holds timely, and at least annually, discussions with the external auditor regarding the following: <ul style="list-style-type: none"> <li>All significant accounting policies</li> <li>Possible alternative accounting treatments related to material items/transactions that have been discussed with management and possible ramifications of the use of such alternative accounting treatment.</li> </ul>
11.15				The audit committee reviews with the external auditors, in a timely manner, the findings of its work [ISA 260]. In particular the audit committee: <ul style="list-style-type: none"> <li>discusses major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved;</li> <li>asks the auditors to explain how they addressed the risks to audit quality identified earlier;</li> <li>weighs the evidence it has received in relation to each of the areas of significant judgement;</li> <li>reviews key accounting and audit judgements;</li> <li>asks the auditors for their perception of their interactions with senior management and other members of the finance team; and</li> <li>reviews levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors, as to why certain errors might remain unadjusted.</li> </ul>
11.16				The audit committee reviews the external auditor's report, including the audit book comments and other reporting from the external auditor, and monitors management's responsiveness to the external auditor's findings and recommendations.
11.17				The audit committee reviews the audit representation letters before signature by management and gives particular consideration to matters where representation has been requested that relate to non-standard issues.
11.18				At the end of the annual audit cycle, the audit committee assesses the effectiveness of the audit process, including the resources and competencies of the combined external audit team.
<b>Qualitative considerations</b>				
11.19				The audit committee had early discussions with the external auditors to identify significant issues at the earliest opportunity and to develop an appropriate audit response.
11.20				The audit committee is satisfied that the external audit planning process has involved assessment of accounting policies, feedback on prior year disclosure deficiencies or misstatements and relevant accounting/governance developments.
11.21				In respect of materiality, the audit committee is satisfied that it has a good understanding of: <ul style="list-style-type: none"> <li>how materiality levels are expected to affect the level of audit work performed;</li> <li>the benchmarks used in determining materiality levels and why these are considered to be appropriate, focusing on how they reflect the needs and expectations of users of the financial statements;</li> <li>how materiality levels affect the extent of audit work undertaken in significant risk areas;</li> <li>the reasons for and the effect of any increases in materiality levels;</li> <li>how auditors are ensuring that materiality is being determined appropriately at group and component levels; and</li> <li>the level at which unadjusted errors are being reported to the audit committee.</li> </ul>
11.22				The audit committee has asked the auditors to explain the overall scope of work in respect of the company's subsidiaries and to explain the extent of their involvement in the work of component (subsidiary) auditors and is satisfied that this is appropriate.
11.23				The audit committee plays an active role both in supporting and encouraging a sceptical approach in the audit of areas of key judgement, and in ensuring that the auditors have access to all relevant information.



		Yes	No	N/A	Evidence, comment or action (130 characters with spaces, max.)
11.24	The audit committee has established criteria for its review of the effectiveness of the external audit process and considered the role of management and the audit committee in that process.				
11.25	The audit committee has asked the auditors whether their audit file has been reviewed by either the public Danish Supervisory Authority on Auditing (or other relevant authorities) or by the firm's internal quality monitoring processes and, if so, what the main lessons learnt were; how the findings compare with inspection findings; and what actions they have taken to address any matters identified for improvement.				
11.26	The audit committee has developed a clear policy on audit tendering, rotation and the provision of non-audit services and has discussed this with key stakeholders, including shareholders.				

## 12 Communication with shareholders

### Recommendations on Corporate Governance

- 12.1 It is recommended that the company publishes the following on the company's website:
- the charter (or terms of reference) of the audit committee;
  - the most important activities of the audit committee during the year, and the number of meetings held by the committee, and
  - the names of the members of the audit committee, including the chairperson, as well as information on which members are independent members and which members have special qualifications.

### Guidance on audit committees

- 12.2 The audit committee has considered the adequacy of the disclosures it makes in relation to its remit and tasks, in the annual report (non-compulsory), the corporate governance report and on the company website. This is where the audit committee is free to consider extending the contents of the annual report, which is required under UK law, to include the relevant experience and training of the audit committee members, issues considered by the audit committee and how they were addressed. Finally, these reports to shareholders should provide an explanation of what the audit firm has done to protect its independence if it provides services to the entity other than audit services.

# Deloitte's corporate governance capabilities

Deloitte can assist you in dealing with the issues and topics discussed in this publication. Deloitte has worked with many of the biggest and best companies in the world and in Denmark. We provide services that help our clients deliver on their goals and aspirations. Within the region of 264,000 people globally, we have a great and diverse community of experts to draw upon to serve our clients. We have expertise in all of the areas covered by this survey and have worked with boards and board committees to ensure that they can address many of the challenges highlighted here. Here are some of the many examples:

- We have undertaken board effectiveness assessments and recommended improvements to help the board function better.
- Our risk teams have assisted companies in developing their risk management frameworks and establishing risk committee structures.
- Our audit professionals have worked with clients to ensure that audit committees and audit functions are operating effectively.
- We have assisted clients in establishing robust fraud management frameworks and undertaken investigations into events or when things have gone wrong.

## Our broad range of services relevant for board and audit committees includes:

- Board Effectiveness
- Compliance
- Evaluations & Assessments
- Training & Labs
- Risk governance and management
- Internal controls governance and management
- Internal audit assessments
- Cyber Security assessments
- Remuneration policies and reports

## The Deloitte Governance Framework



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