

Audit Committee Update - Overview

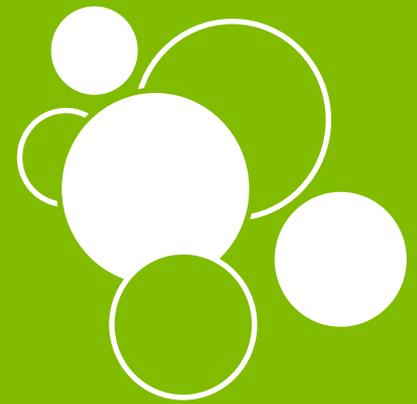
Our Guide and Practical Experiences in 2015

Tone at the top,
risk appetite,
compliance,
communication to
shareholders, value
creation and
governance
effectiveness

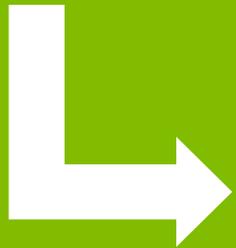
August 2015



What's on your
agenda for 2015?



Overview



- Message from Anders Dons
- Hot topics
- Tone at the top
- Responsibilities of the Audit Committee
- How does the Audit Committee create value?
- Governance and Audit Committee effectiveness



Message from Anders Dons

Chief Executive Officer, Deloitte Denmark

The expectations of Audit Committees are higher than ever. As you are aware, shareholders rely on boards and especially the Audit Committees to execute their oversight duties while keeping up with an increasingly complex financial reporting environment and an ever-changing regulatory landscape. Setting the appropriate tone at the top has never been more important for Audit Committees or boards as a whole.

As an Audit Committee member, your judgement is important to management and shareholders who depend on you to appropriately execute your governance responsibilities. To fulfil their responsibilities, Audit Committees need a clear understanding of what is required by the committee's charter, listing requirements, and other relevant laws and rules.

While the specific duties of Audit Committees vary depending on the company's governance structure, Audit Committees are typically expected to:

- Oversee the integrity of the financial reporting process, including forecasting
- Oversee the process for identifying and addressing financial and related risks
- Ensure that the company has policies and programmes to prevent and detect fraud
- Oversee financial information and earnings guidance provided to analysts and ratings agencies
- Support a culture that embraces the importance of ethics and compliance and develop a process for investigating related allegations
- Oversee the internal auditors and their audit plan
- Appoint, compensate, and oversee the independent auditors
- Discuss with the independent auditors those matters required to be communicated under applicable auditing standards.

As a result, many Audit Committees are meeting more often with members of Management. According to a recent US study¹, the percentage of Audit Committees meeting with the chief compliance officer increased from 28 percent in 2012 to 58 percent in 2014. Additionally, 34 percent now meet with the chief risk officer, up from 14 percent in 2012, and 30 percent of Audit Committees now meet with the chief technology/information security officer, up from just 5 percent in 2012.

¹ 2014 Board Practices Report: Perspectives from the Boardroom – Deloitte and the Society of Corporate Secretaries and Governance Professionals.

Message from Anders Dons

Chief Executive Officer, Deloitte Denmark

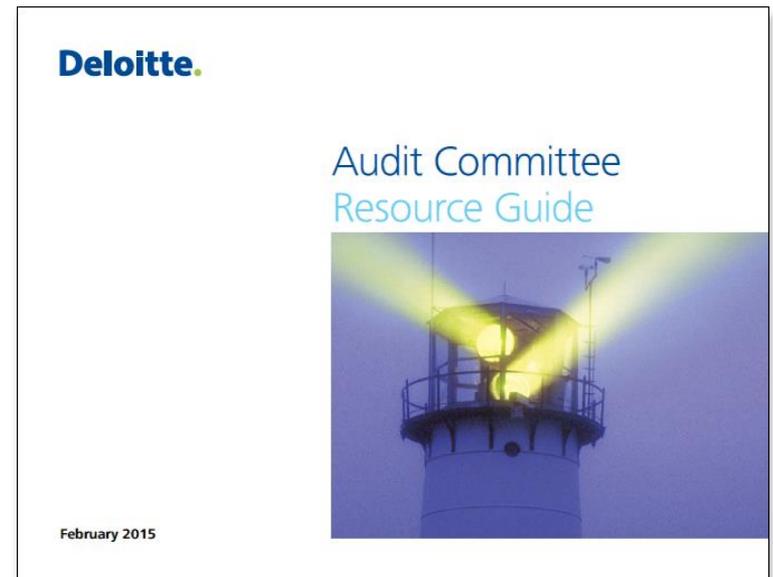
In the pages that follow and in our guide, we offer practical considerations and resources to help Audit Committee members execute these activities. By providing regulatory requirements, questions to consider, and tools and resources, this guide consolidates relevant information in one place for your reference.

While no one has provided specific guidelines on Audit Committee education and self-assessment, these topics are of increasing importance, particularly given the enhanced focus on board and Audit Committee responsibilities. Research shows that 66 percent of Audit Committees evaluate member performance and this topic is also addressed in our guide.

In addition to the specific information included here, the guide also contains links to an array of tools and resources provided by Deloitte's Center for Corporate Governance and other governance organisations.

The *Audit Committee Resource Guide* is an example of our commitment to providing Audit Committee members with resources and leading practices to help fulfil their responsibilities and raise the bar continually on individual and overall Audit Committee performance. I hope you find this guide valuable as you execute your governance responsibilities as an Audit Committee member.

Anders Dons
Chief Executive Officer
Deloitte Denmark



Dashboard – Hot topics

What should Audit Committees focus on right now, in the future and in on-going dialogue and discussions?

We use this symbol  to highlight current significant hot topics

Topics to be addressed now

To be addressed NOW

- **Risk management** 
Determining the risk appetite, understanding and addressing the significant risks
- **Compliance** 
Oversight of compliance with code of conduct/ethics, and scope discussions
- **Qualifications, including the need for financial and sector expertise**
Recent US PCAOB speech on lack of sufficient collective experience in accounting, auditing and financial reporting (May 2015)
- **EU audit legislation**
Consideration of auditor's report to audit committees, audit tendering, audit quality and effectiveness, independence requirements for external auditors, scope of services and limitation of level of advisory fees compared to the audit fee

Topics to be addressed In the future

Trends for the FUTURE in DK

- **Audit Committee and Auditors' Reports**
Significant issues in relation to the financial statements to be disclosed externally in the UK, including how the Audit Committee and the external auditors has addressed them 
- **The longer term viability statement**
Lookout period to be determined (e.g. three to five years) and connecting the statement with risk management and forecasting process should be considered in the UK 
- **Value creation**
How does the Audit Committee create value?
- **Governance and Audit Committee effectiveness**
How does the Audit Committee work effectively in corporation with the Board?



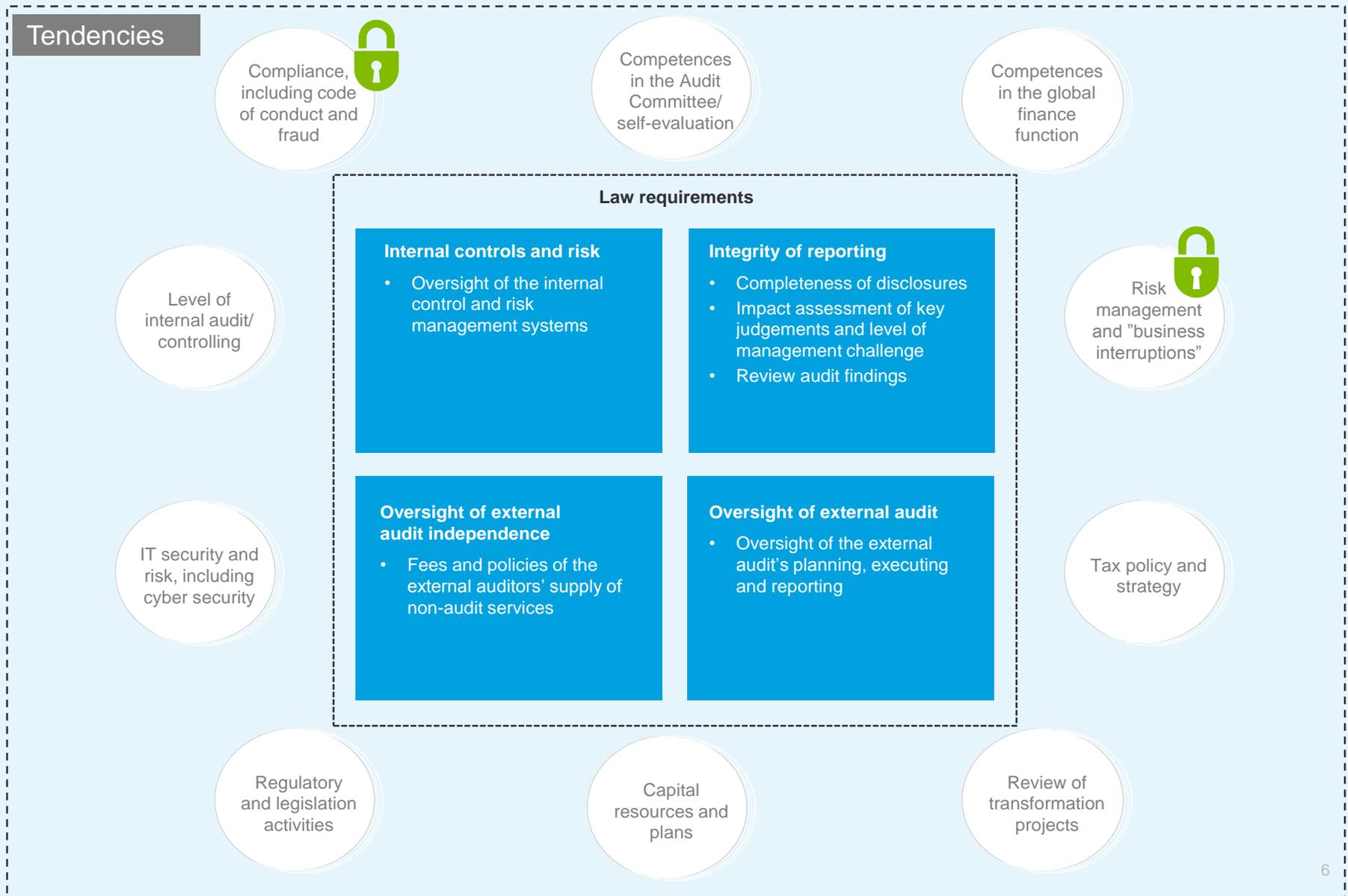
On-going dialogue and discussions

- Tone at the top
- Risk management – also on-going monitoring and external reporting responsibilities
- Compliance
- Internal controls
- Law requirements to Audit Committees
- Supervision of financial reporting
- Going concern, including both solvency and liquidity assessments



Responsibilities of the Audit Committee

Increased focus on risk management and compliance in the Audit Committees





How does the Audit Committee create value?

Proposed topics for discussion in the Audit Committee

What's on the Audit Committee's agenda for 2015?

Chairman's role

Interaction between
Chairman and auditor

Finance Strategy

Finance talent

Shared services

Outsourcing

Number of accounting experts

Skills requirements and
training

Monitoring of controls

Moments that Matter

TONE AT THE TOP

Risk management

Hedging strategy

Supervision of financial reporting

"Orderly toolbox"

Less is more

Deep Dives

Avoid repetition

Industry insights

New
COSO
Framework

Code of Conduct

IT and cyber security

Tax policy

Transfer pricing

Fraud

Anti-Corruption

Whistleblowing

Data Analytics

Self-assessment

Audit tendering

Need for new rules in DK

Reporting to shareholders

Compliance

Responsibilities

Developments
in the US and UK

EU audit
legislation

Governance and Audit Committee effectiveness

Key issues for consideration by companies and investors in 2015

- The importance of **good corporate culture** and embedding sound corporate governance behaviours throughout companies
- **Board composition** and ensuring suitable **succession planning** is in place
- **Effective board evaluation** and reporting
- **Active engagement** between boards and investors
- Early consideration of the **viability statement** from the UK
- Maintaining **effective risk management** and **internal controls**
- Focusing on the **quality of explanations** in relation to good corporate governance
- Committing to **clear and concise reporting**
- Early consideration of the **Audit Committee reporting** from the UK



We have developed an
questionnaire for
assessment of Audit
Committee effectiveness 

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Deloitte supports the Danish potential at the Olympic Games 2016