

# 4. The audit committee and current regulatory requirements

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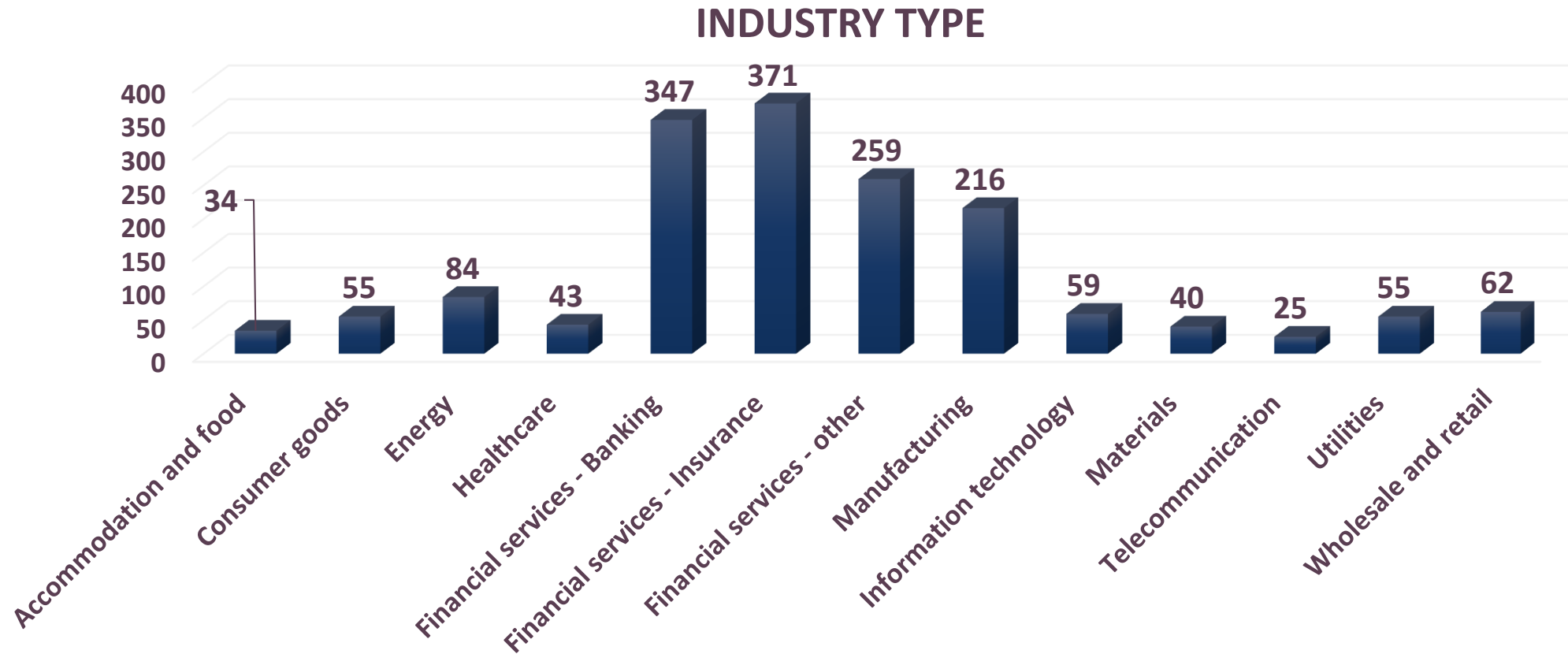
# Slido questions

- How often do you meet with management/CFO in relation to Risk management/Internal Controls?
- Has the company gone through an audit tender process in the last 3 years?
- How often do you meet the auditors during each audit?

# Audit Committee – Current Requirements

- Audit Committee – European Questionnaire
- Questions based on the requirements of the Audit Regulation and Directive
- 2770 questionnaires were sent out, 1695 responses received across 26 of the 28 EU member states

# Audit Committee Questionnaire – Results – Industry Breakdown



# Audit Committee – Current Requirements

- The questionnaire was divided into the following sections:
  - Audit committee composition and skills
  - Interaction with the administrative or supervisory body (board)
  - Independence including the prior approval of permitted non-audit services
  - Auditor selection process
  - Oversight of the audit function
  - Oversight of the financial reporting process
  - Oversight of internal quality control and risk management systems

# Audit Committee Questionnaire Results

Section	Low or Medium level of occurrence of non-application of regulation
Audit Committee Independence	Low
Monitoring of fees paid to statutory auditors	Low
Non-examination of requests for the provision of non-audit services by Audit Committees	Low
Audit Tenders – Invitation to Tender	Medium
Audit Tenders – non-discriminatory process	Low
Audit oversight – auditor meetings	Low

- Limitations to interpretation of results

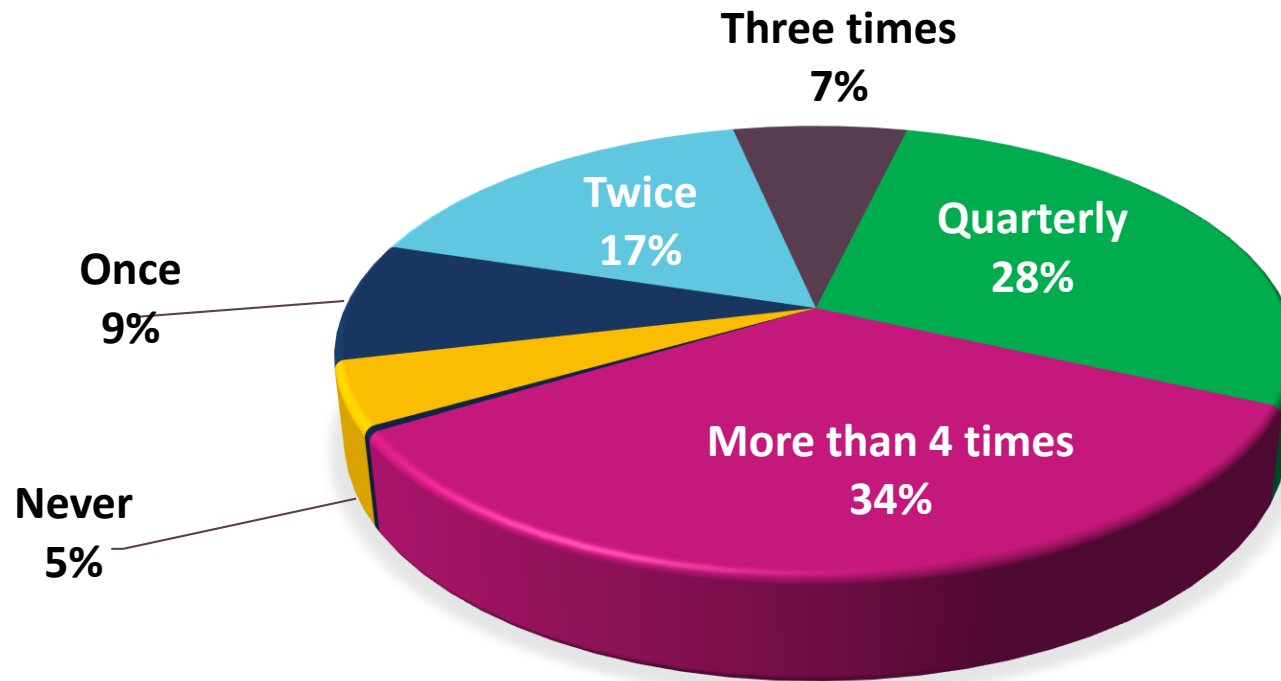
# Audit Committee – Committee Composition & Interaction

## Key requirements

- one member of the committee to have competence in accounting and/or auditing
- members as a whole, have experience relevant to the sector in which the audited entity is operating
- majority of members independent of the audited entity
- inform the board of the outcome of the audit
- explain how the statutory audit contributed to the integrity of financial reporting
- explain the role of the audit committee in the process

# Audit Committee Questionnaire Results

NUMBER OF MEETINGS WITH ADMINISTRATIVE OR SUPERVISORY BODY (BOARD)  
HELD DURING THE PERIOD





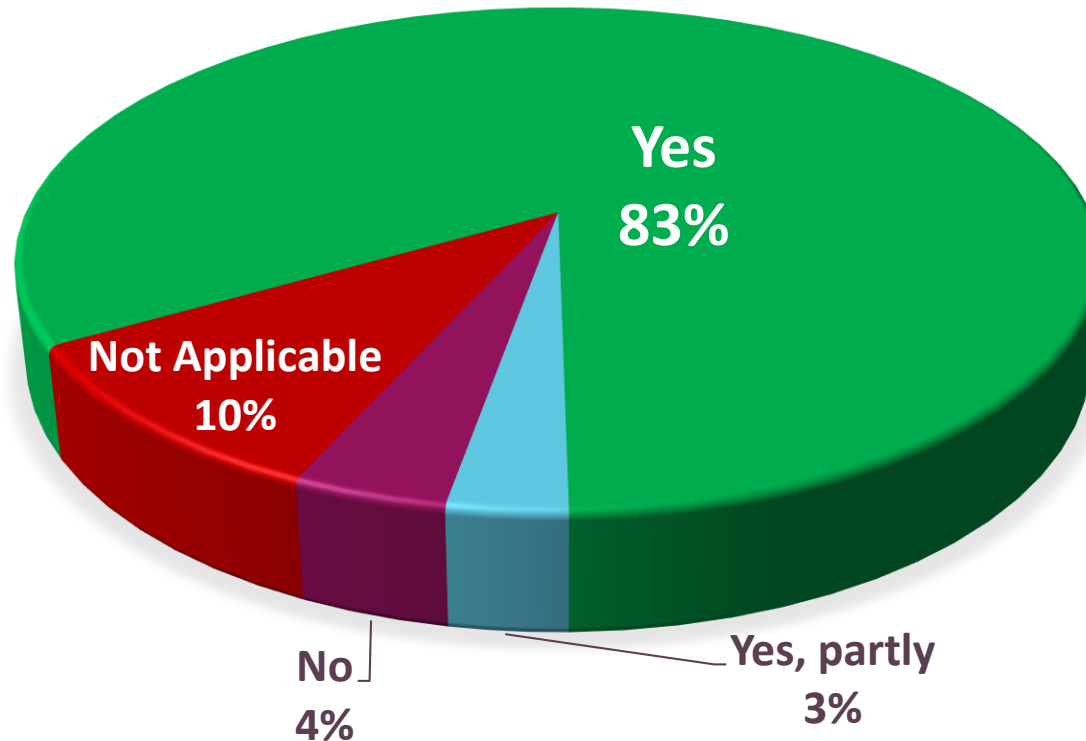
# Audit Committee – Non-audit services

## Key requirements

- Requirement to monitor the amount of fees paid to the statutory auditor (NAS fee cap)
- review and monitor the independence of the statutory auditors (particularly in respect of NAS)
- discuss with the audit committee the threats to auditor independence and the safeguards applied (auditor requirement)
- approve non-audit service requests

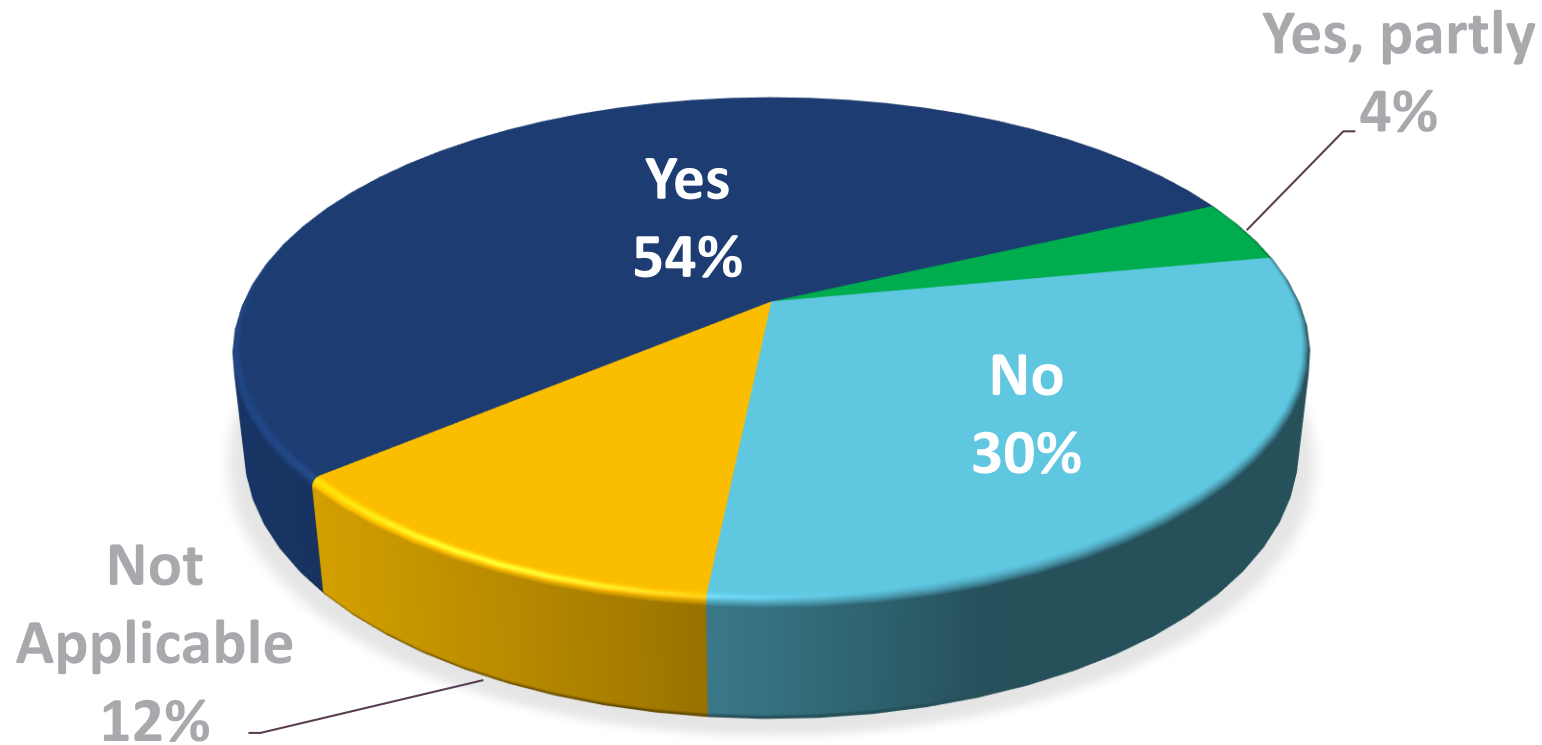
# Audit Committee Questionnaire Results

## MONITORING OF NON-AUDIT FEES PAID TO STATUTORY AUDITORS



# Audit Committee Questionnaire Results

## TENDERS SUBMITTED FOR NON-AUDIT SERVICES



# Audit Committee – Auditor Selection

## Key requirements

- assume responsibility with regard to the selection procedure of the statutory auditor
- transparent and non-discriminatory selection criteria
- Criteria does not preclude firms with less than 15% of PIE SAFI of member state to tender
- sufficient information in tender to allow invited statutory auditor to understand the business of the entity
- validate the report prepared by the entity on the conclusion of the selection procedure
- identify at least two candidates for appointment (and preference for 1)
- Be able to demonstrate that the selection procedure was conducted in a fair manner

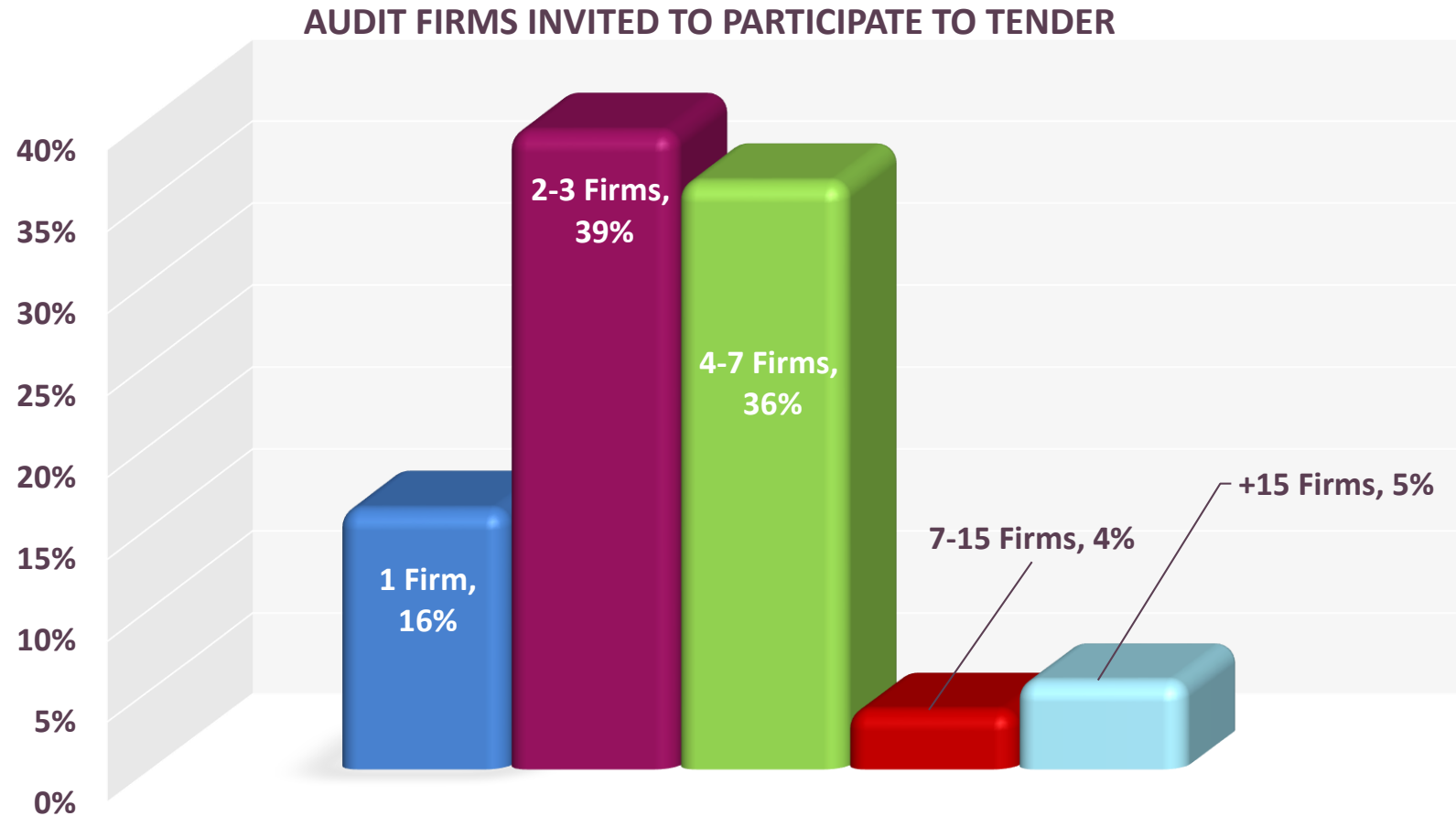
# Audit Committee – Auditor selection

15% of PIE Audit Fee income requirement –

tender process allow for the participation in the selection procedure of 'firms which received less than 15 % of the total audit fees from public-interest entities in the Member State concerned in the previous calendar year.

- Make sure a selection criterion is not based on PIE fee income
- 56% of audit committees confirmed they did not apply this criterion

# Audit Committee Questionnaire Results



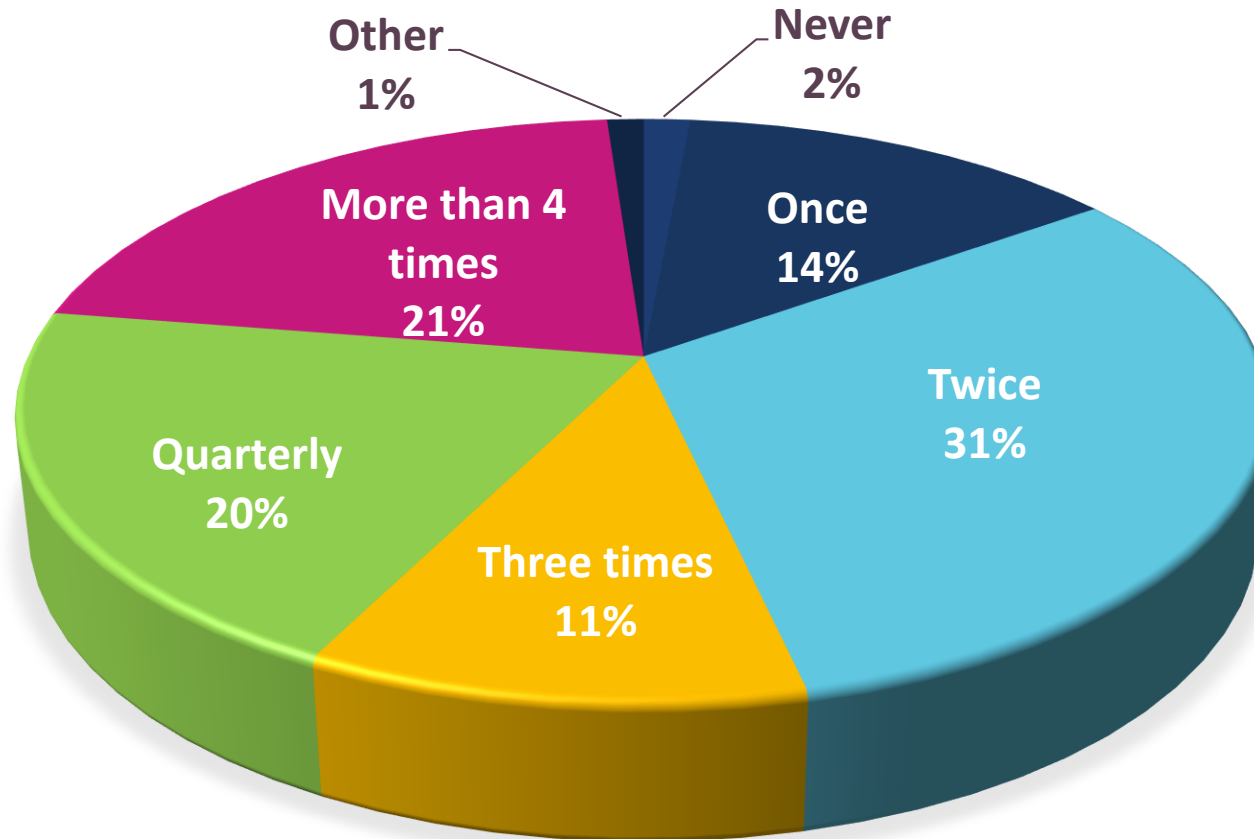
# Audit Committee – Oversight

## Key requirements

- monitor the performance of the statutory audit of the annual and consolidated financial statements of the entity
- consider the findings (if any) and conclusions made by IAASA during their last inspection of the statutory auditor
- monitor the financial reporting process of the entity
- submit recommendations or proposals to ensure the integrity of the financial reporting process of the entity
- monitor the effectiveness of the entity's internal quality control and risk management systems and, where applicable its internal audit regarding the financial reporting of the audited entity

# Audit Committee Questionnaire Results

## FREQUENCY OF MEETINGS BETWEEN AUDIT COMMITTEE AND STATUTORY AUDITOR





# Audit Committee – Irish Results

Results appear to indicate no significant findings on:

- Audit Committee composition
- Interactions with the board
- Non-Audit Service approvals
- Audit oversight
- Oversight of internal QC and risk management

Areas of potential further investigation

- Auditor Selection process

# Audit Committee Regulation – Key Takeaways

- Broad degree of understanding of the requirements
- Auditor selection process – area that may require further attention
- IAASA point of contact for any audit quality related questions

# Audit Committee Regulation – Request

- 2020/2021 audit committee survey on materiality
- Questionnaires will be sent to PIEs who have a separate audit committee
- Please complete the survey if your PIE is selected

# Questions?