

# Audit Committee Reform

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# Context

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1

Directive no. 56/2014 and Regulation no. 537/2014 aiming to increase audit quality, transparency and audit supervision.

Transposition term of Directive no. 56/2014 was 17 June 2016.

2

3

A draft law transposing the Directive was made public by the Ministry of Public Finance and needs to follow the Parliamentary procedure for adoption as a law (the "Draft Law").

# Challenges

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## Rules on setting up the Audit Committee:

- Public Interest Entities must have an Audit Committee
- Most members of the audit committee are independent from the entity (i.e. more than 50%)
- Chairpersons of the audit committee must be independent from the entity

## Rules on the audit committee's competence and duties:

- At least one member of the Audit Committee must have competence in accounting or statutory audit
- The audit committee, as a whole, should have competence in the area in which the entity operates
- Responsibilities of the audit committee (i.e. monitoring the financial reporting process, monitoring the efficacy of internal control quality systems and management systems, assessing and monitoring the independence of financial auditors and audit firms etc.)

# Key questions that should be considered in relation to audit committee's immediate action plan

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01

What are the new rules and key issues facing audit committees?

02

Has your Company identified the gaps between the new provisions and your current situation?

03

Has the Company prepared a plan for bridging the gaps?

04

Should potential candidates be identified and/or existing staff trained?

05

Should you be worried about the implications of the new structure?

# How can we help the Audit Committee?

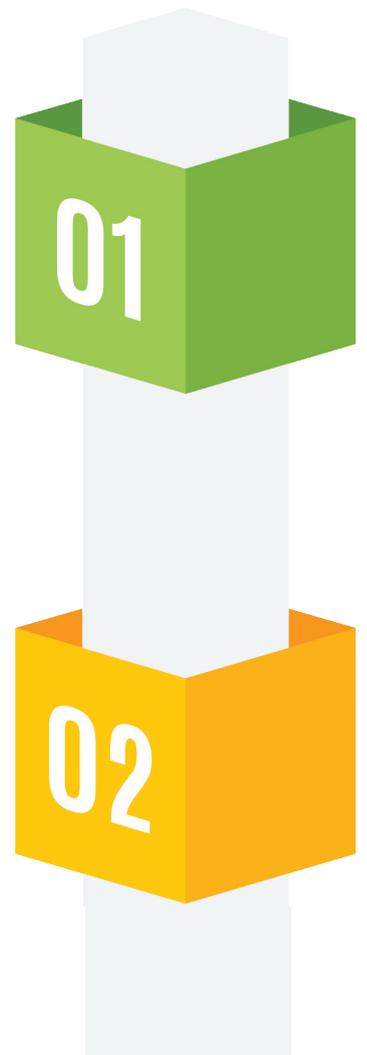
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## Set-up and operations

- Gap analysis on (i) legal requirements and (ii) best practices for Audit Committees
- Review Board and Audit Committee operational functioning & allocation of members' roles
- Assistance in performing and documenting the assessment of candidates for Audit Committee membership i.e. independence and individual & collective competence
- Legal assistance on appointment of the members of the Audit Committee (i.e. formalities, corporate decisions)

## General corporate governance and internal control framework enhancement

- Assistance in the implementation of corporate governance standards/principles in line with better practice but tailored to the entity specifics
- Assistance in development and application of a framework for the selection, suitability and succession planning for management body members and key staff members
- Design, implementation or review of a top down internal control framework or assistance in the enhancement of specific areas where internal controls were identified as being sub-optimal



# Audit Committee Reform

for Internal audit and Finance teams



# Context

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1

The new wave of IFRSs is on the horizon. Take a deep dive into IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRS 17 Insurance Contracts and learn how to transform challenges into opportunities for your business.



2

Directive 95/2014, amending Directive 34/2013 is aimed at increasing transparency related to non-financial information, applicable to large Public Interest Entities, with more than 500 employees during the reporting financial year.

# Challenges

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1

The magnitude of accounting changes should not be underestimated. The wave of change could open up opportunities for synergies.

2

IFRS 9 Financial Instruments brings fundamental changes to financial instruments accounting and replaces IAS 39 Financial Instruments: Recognition and Measurement.

3

The implications of IFRS 15 can be pervasive – impacting everything from EBITDA to systems and processes.

4

What's the best option for your business in transition to IFRS 16? The new leases standard – IFRS 16 – will require companies to bring most leases on-balance sheet from 2019. At that time, the accounting treatment of leases by lessees will change fundamentally. For some, the new standard will have a significant impact on their financial KPIs and their systems and processes.

5

Internal audit plan has to be flexible and adjust to changing business and risk conditions.

# Key questions that should be considered in relation to Internal audit and Finance teams

## immediate action plan

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### Financial Reporting

- Are your teams ready for the new wave of IFRSs?
- Is your company ready for some of the biggest accounting changes in more than a decade?
- Have you thought about start planning now?

### Non Financial Disclosures

- Does the company have policies on non-financial matters (e.g. environment, social, employees, anti-corruption)?
- Has the Company identified which of the non-financial aspects are relevant and which are not, for its activity?
- Has the Company carried out a monitoring of non-financial matters (e.g. indicators)?
- How should the reporting team members be identified? Do they need to be trained?

### Internal Audit

- Is your Internal Audit Function performing in such a manner as to bring the value added expected by the Board, senior managers and the other relevant stakeholders?
- Are the skills and competences of the internal auditors appropriate to deliver expected results? Do internal auditors enhance their knowledge, skills and other competencies through continuing professional development?
- Independence and objectivity are important features of any internal auditor. Do the internal auditors have an impartial, unbiased attitude and avoid any conflict of interest?

# How can we help the Internal audit and Finance teams

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## Financial reporting

- Trainings on financial reporting topics, old or new, general or applied
- Assistance in the preparation of financial statements
- Gap assessment of the impact of new accounting standards / requirements, including advisory services on design and implementation
- Implementation of the changes into your operating model

## Internal Audit

- Quality assessment of the internal audit function
- Trainings on internal audit (e.g. report writing, performance of internal audit missions on specific areas requiring expert knowledge)
- Assistance in recruitment of staff

In addition, KPMG's Internal Audit services can help organizations manage internal audit costs by:

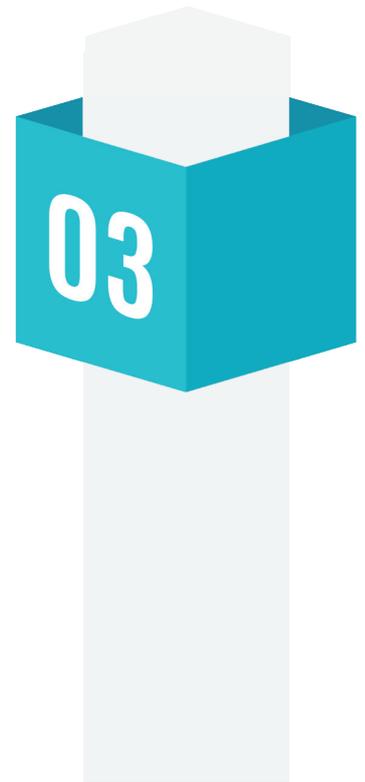
- Reducing costs and drive value through improved quality and service
- Providing access to professionals with specific skill sets and knowledge that are used on an "as needed" basis - the company is therefore not required to bear the fully loaded annual payroll costs
- Providing the scalability and flexibility to adapt to ever-changing and emerging risks
- Providing a fresh perspective and an added level of scrutiny



# How can we help the Internal audit and Finance teams

## Non Financial Disclosures

- Gap analysis/quick scan on existing non-financial procedures (policies, strategies, monitoring, internal control)
- Assistance in developing a sustainability strategy and related policies (objectives, KPI's)
- Assessment of non-financial aspects relevance for the company's activities
- Assistance in stakeholders' consultation process, to identify their expectations on non-financial disclosures
- Non-financial reporting training courses – tailored for the company's reporting team
- Guidance on non-financial reporting, based on the most used guideline/ standard (GRI)
- Assurance on non-financial report/non-financial statement, for increasing stakeholders' trust in the reported information
- Assisting the company's internal audit department in defining the objectives related to non-financial risks assessment



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