

Succeeding amid
change and uncertainty:
*Action plans for
audit committees*




Succeeding amid change and uncertainty

More than half a decade has passed since the 2008 financial crisis, and the global economy remains uncertain and highly volatile.


Most organizations are taking steps to improve their longer-term competitive ability – implementing new technologies, partnering with new organizations, streamlining operations, entering new markets, and more – while also responding and adapting to changes created by technological developments, the introduction of new regulations and changes in financial reporting standards.


In this environment, audit committees are playing an increasingly important role, with responsibilities that extend beyond their traditional one of overseeing the financial reporting and other regulatory disclosures made by their organization.


This publication looks at five important issues that require the attention of the audit committee:

 **Protecting brand and reputation** – Today, organizations are increasingly judged by their conduct. Being legally compliant is no longer sufficient; organizations are expected to perform to a higher standard. While organizations cannot completely control the perception of their brand, they can take steps to help immunize themselves against reputational damage, and have a rapid response plan when controversies arise.

 **Strengthening investor confidence** – Audit committees have seen their responsibilities grow significantly over the past decade. Today, global regulators are proposing new measures to enhance the quality of audits, and many of these will impact the way audit committees fulfill their responsibilities and how they report to shareholders.

 **Making financial reporting more relevant to stakeholders** – Accounting standards have undergone many changes, which have made accounting less intuitive and more voluminous than in the past. Several of those changes were intended to solve financial problems, and more recently to also address broader stakeholder concerns, such as social and environmental issues. Audit committees need to be active players in understanding, shaping and adapting to new standards while ensuring that the information the organization discloses to stakeholders is relevant and useful.

 **Riding the technology wave** – Almost every activity is now technology-enabled or enhanced, giving organizations unprecedented opportunities to improve efficiencies, reinvent business models, better connect with stakeholders, and more. Now that digital data has become today's highest valued currency, however, organizations need to implement governance processes, similar to the ones they have around financial information, to ensure the continued integrity of their data and information systems.

 **Paying a “fair share” of tax** – Between activist groups and the media, many organizations have been accused of not paying their “fair share” of tax. In an environment where even the most benign and commercially legitimate tax planning practices are being portrayed as egregious, audit committees need to ensure that the organization employs tax strategies that are well founded in the tax law, and also understand how those strategies may be perceived in the court of public opinion.

The discussion of these issues is intended to help audit committees develop action plans suited to their organization and its circumstances, and do so in a way that will add value for its stakeholders.

Each section provides some considerations to help audit committees in addressing these issues.

Protecting brand and reputation

Few things are as valuable and potentially fragile as an organization's brand. Reputations built over years may be destroyed in an instant, often by events outside the organization's control.

Protecting something the organization cannot control is a challenge. Fortunately, brands are not always negatively affected by honest mistakes. Organizations that react swiftly and ethically to correct mistakes usually protect the value of their brand, and may even enhance it. However, organizations that hide problems to fix them quietly – even when acting in good faith – may be penalized for a lack of transparency that creates the perception of having something to hide.

Managing the manageable

In a world dominated by social media, organizations are under greater scrutiny from more directions than ever before. Since that's unlikely to diminish, it's best for organizations to act transparently while taking steps to ensure their actions will stand up to the most critical scrutiny.

Organizations should not view brand management separately from other business activities. Instead, it should be considered an integral part of everyone's job since everyone in the organization contributes to its brand or reputation. Together with the full board and the governance committee, audit committees should ensure that the organization maintains appropriate mechanisms to protect its brand and reputation.

A well articulated Code of Conduct is the foundation for the ethical behaviour of the organization and its employees, partners and other stakeholders. The Code should set out what constitutes appropriate and inappropriate behaviour with clear instructions on how employees should deal with difficult situations and where to go for help.

"Tone at the Top" is also important since employees model their behaviour on that of management. Management must, therefore, act with integrity and make it clear that there will be zero tolerance for improper behaviour by anyone in any position.

Organizations that act ethically and transparently are more likely to retain stakeholder support and withstand attacks on their brand and reputation during difficult times. Reducing staff, closing plants, or outsourcing non-core tasks may be financially necessary decisions, but they may have significant negative impacts for employees, customers, suppliers, business partners and the broader community. Organizations seen to ineffectively address these people impacts often suffer reputational damage, which may lead to significantly higher longer-term costs.

Positive actions, such as a merger or acquisition, launch of a new product or service, or entry into a new market, can also affect an organization's brand, either positively or negatively. Organizations need to fully understand the benefits and potential pitfalls associated with these actions to identify any hidden problems. When entering new markets, for example, organizations need to understand their business, environmental, social, legal, political and fiscal environments. When partnering with others, organizations should ensure that their core values are shared by the partner organization and its employees, suppliers and customers.



Audit committee action plan...

- Ensure the appropriate risk governance/management practices are in place when expanding into new products, markets, geographies or working with new partners.
- Ensure that the organization's Code of Conduct, Whistleblower program and other programs are regularly reviewed to ensure they are functioning effectively and continue to reflect the current operating environment and practices.
- Engage the independent auditor in a thoughtful annual discussion about the organization's fraud risk.
- Ensure that a robust crisis management plan, including communication strategy, is in place.



Controlling the unexpected

Unexpected events – an accident or environmental problem – may damage the reputations of the organizations that are the victim of those events.

A clearly articulated crisis management plan enables organizations to respond to a negative event quickly and effectively – something that is difficult when decisions must be made under stress and anxiety. Crisis management plans must be developed in advance of any problem and should clearly describe:

- Who within the organization and outside it should be contacted when a problem occurs.
- Who will be the organization's designated spokesperson, and the media and other stakeholders to which the spokesperson will communicate.



Fraud and corruption

Few events can shake investor confidence and damage an organization's reputation more than revelations that the organization has been a victim of fraud, bribery or other corruption. The audit committee should ensure the organization is proactive in protecting itself by:

- Undertaking a comprehensive, regularly updated assessment of fraud and corruption risks.
- Ensuring accountability for managing fraud risk in their area of responsibility is an explicit element in managers' performance assessments and compensation.
- Maintaining an ethical Tone at the Top, Code of Conduct and Whistleblowing procedures.
- Maintaining good relationships with regulators, to retain their support if the company has to investigate suspected wrongdoing.
- Predetermining the investigative resources and protocols, including legal and forensic resources in each jurisdiction of operations, to be utilized to quickly investigate potential frauds.

In a crisis, information is often incomplete, which often spawns rumours. Trying to control what is said by others is usually not only a waste of the organization's resources; efforts to refute critics may also be viewed as a cover-up strategy. Instead, organizations should focus on the information they communicate. A good crisis communications plan helps ensure that the actions the organization takes to respond to the event are seen as being genuine and transparent.

No organization can manage everything that may affect it and its reputation. However, organizations with high ethical standards that act transparently and in good faith will be the most successful at protecting the value of their brand.

Strengthening investor confidence

Regulators in Canada and other jurisdictions are considering new measures to reassure investors of the value of audited financial statements.

Appointing the auditors

Regulators have long feared that an auditor's objectivity diminishes when the auditor works with management over an extended audit relationship.

To reduce management's influence over the auditor, the audit committee was made responsible for the organization's relationship with the auditor. Partner rotation was implemented because regulators felt new audit leaders would refresh the relationship and introduce new perspectives. Some regulators believe mandatory firm rotation may better ensure auditor neutrality and objectivity while others suggest that mandatory periodic tendering would demonstrate that the audit committee is effectively performing its responsibilities for appointing and overseeing the auditor.

In Canada, the Chartered Professional Accountants of Canada (CPA Canada)-Canadian Public Accountability Board (CPAB) sponsored Enhancing Audit Quality initiative recommends further empowering audit committees in their responsibility for appointing, evaluating, remunerating and retaining the auditors. It believes more transparent communications with regulators and stakeholders will improve audit committee effectiveness and better enable stakeholders to understand the work done by the auditor. Audit committees, therefore, should consider providing a greater discussion of the auditor appointment process in the report to shareholders, including the selection criteria, the request for proposal process and results, the names of the decision makers, whether the proposed fees were comparable, and so on.

Evaluating the auditors

Several new initiatives are underway to provide audit committees with a more precise and disciplined auditor evaluation process. For example, a questionnaire has been developed for evaluating the auditor's performance, which covers partners' competency, the

firm's performance with regard to third-party inspection programs, relationships with management, communications with the board, fair fees, and more. The questionnaire, endorsed by the Enhancing Audit Quality initiative, formalizes the performance interviews and helps audit committees document their conclusions and support their decision to re-engage the auditor or not.

In the U.S., the Public Company Accounting Oversight Board launched an initiative to define a quality audit. It looks at factors related to the audit strategy, including the audit team's expertise, industry knowledge and experience; the time partners and managers spend on the audit; the time spent identifying and addressing audit risks; consultations with others; outsourced work; firm policies; compensation policies; and so on.

Audit committees should consider integrating the principles and practices recommended by these initiatives in their auditor assessment process.



Remunerating the auditor

Many regulators, including CPAB, are concerned that continuing pressures on audit fees could result in audit becoming a commodity, lead to lower quality audits, cause some audit firms to shift to providing non-audit advisory services, and force some audit firms to exit the audit market altogether.

Some audit firms want to base fees on the value of the audit, noting that audits generally contribute to an organization's lower cost of capital, better analyst reviews and a stronger marketplace reputation. Other proposals suggest that audit fees should be set by regulators.

When discussing audit fees, audit committees should consider the complexity of the organization, requirements to which the audit is submitted, the auditor's performance, and other factors, as well as expanding the audit fee discussion in the annual report beyond the minimal information required by regulation.



Audit committee action plan...

- Engage in a meaningful discussion of audit risks and the independent auditor response particularly in areas requiring significant judgment and estimates.
- Assess whether a “healthy tension” exists amongst management, independent auditor and the audit committee.
- Get more involved in the evaluation of the independent auditor.
- Disclose the Committee’s role in achieving high quality financial reporting.
- Actively participate in regulatory developments.



Reporting to shareholders

Regulators around the world are considering approaches to provide stakeholders with more information about the quality of financial reporting.

One proposal would require an AD&A (auditor’s discussion and analysis) to provide the auditor’s perspective on the financial reports similar to the MD&A (management’s discussion and analysis), which provides management’s perspective. Stakeholder feedback is being sought on the proposed content of the auditor’s report, including clarifying the auditor’s responsibility for fraud discovery, the going concern assertion, the length of the auditor’s tenure, and the discussion of critical or key audit matters the auditor encountered during the audit.

Another proposal would require audit committees to explain how they ensured that the audit plans were appropriate, including risk identification and response; that all significant audit issues were addressed appropriately; and that sufficient evidence was obtained to support the auditor’s opinion.

Yet another proposal is to provide a discussion of the results of audit firm inspections performed by the regulators, though current practices and laws prohibit CPAB inspection findings from being shared with organizations other than the audit firm under review. However, a proposed protocol for communication of inspection findings with audit committees recently released for comments by CPAB is expected to assist auditor performance assessment by the audit committee. An additional step towards greater transparency is the recent release by the Canadian Securities Administrators (CSA) of proposed amendments to National Instrument 52-108, *Auditor Oversight*, which would give the CSA greater insight into situations where CPAB has imposed significant remedial actions on an audit firm.

Audit committees may wish to consider the impact these proposals would have if they are implemented. For example, audit committees may want to discuss with the auditor the critical audit matters that would need to be discussed in the auditor’s report. They may also want to review their report to shareholders to determine whether they should better explain how they satisfied themselves that the financial statements are fairly presented and free of material error.



In summary

More transparent communication with stakeholders about the audit and audit committee decisions may be the best way to close the expectation gap that exists between what stakeholders believe an auditor does and the auditor’s actual work. To do so, audit committees and the auditor need to replace boilerplate statements with a more complete discussion around what was tested, who undertook the tests, the test findings, difficulties that were encountered, and the meaning of the overall conclusion.

Making financial reporting more relevant to stakeholders

Accounting standards have undergone several waves of change and revision. As organizations grew more diverse and globalized, new standards were introduced to address new business models and reporting issues highlighted by major business failures.

When stakeholders demanded better information about organizational performance, regulators introduced revised rules around revenue recognition, consolidations, use of financial instruments, compensatory arrangements and segmented reporting.

Enron's collapse sparked actions to improve the reliability of information by requiring the certification of financial statement fairness, attestations of internal control effectiveness, and the establishment of whistleblower procedures.

Amid concerns about transparency and responsible business conduct, earlier requirements for "Plain English" financial disclosures and fair disclosure practices were augmented by International Financial Reporting Standards, eXtensible Business Reporting Language, integrated reporting, Compensation Discussion and Analysis, pay for performance and proxy reform.

All of these new requirements have made accounting less straightforward than it was in the past. As a result, financial reports are more voluminous, making them difficult if not impossible for stakeholders to read and understand.

Growing accounting complexity does not need to automatically result in more complex financial reporting. It has to date because organizations struggling to remain compliant with the deluge of new regulations had little additional time to ensure the information they disclosed continued to resonate with stakeholders.



Audit committee action plan...

- Assess the quality of the organization's financial reporting (annual report, MD&A, financial statements and press releases) for clarity of message, balanced approach, simplicity and consistency.
- Challenge complex narrative and boilerplate descriptions in financial reports.
- Encourage the use of tables and charts to promote user friendliness.
- Monitor evolving reporting standards and participate in the process to help shape the outcome opportunities to adapt systems in an integrated way.



In this environment, audit committees face two important challenges.

First, they cannot wait until new standards are approved and about to take effect before asking about their impact on financial reporting. Nor can they fully outsource financial reporting to management and the independent auditors. Instead, audit committees need to understand the evolving standards and participate in the standard setting process to reduce the implementation challenges associated with new requirements and ensure that their perspective is being brought to the table.

Second, audit committees should understand what is important to their stakeholders to ensure the information disclosed to stakeholders is relevant and useful.

The International Accounting Standards Board (IASB) is considering changes to make the financial statements more informative to users, such as possibly amending IAS 1, *Presentation of Financial Statements*, to allow more flexibility in the ordering of notes to the financial statements so significant items can be reported at the beginning of the notes, giving users a better insight into what management considers important financial information.

The International Integrated Reporting Council (IIRC) has published its initial International Integrated Reporting <IR> Framework under which an organization will be able to explain the relationships between its various operating and functional units and the capitals (financial, manufactured, intellectual, human, social and relationship, and natural capital) used or affected. Integrated Reporting is not intended to replace existing regulatory required reporting, but to instead provide an overarching picture of all significant matters affecting an organization's performance.

Audit committees, together with management, may wish to consider the impact these and other proposals may have on their organization's reporting to its stakeholders. When new rules are introduced, audit committees should help stakeholders understand how they differ from current accounting practices, their likely effect on financial position and results, the way changes will be applied to historical information, and so on. Providing pro forma information, even if not required, may help improve stakeholders' understanding of the new rules.

Riding the technology wave

Gone are the days when technology was the IT department's responsibility and an organization's technology was fully contained within its own walls and used exclusively for work-related activities.

Today, almost every activity is technology-enabled in some way. The lines separating technologies for personal use and work purposes have been erased as employees use work computers for personal tasks while conducting business activities via their personal devices.

With technology now an integral part of almost every activity and project, audit committees are responsible for more than just monitoring budgets and the deployment of technologies. They should also see that appropriate controls are in place to ensure the security of data and the confidentiality of private information. These controls may include education programs, traditional password, firewall and antivirus practices, and monitoring and surveillance practices.



Bring Your Own Device (BYOD)

BYOD – Bring Your Own Device – reflects a world where employers expect to reach employees anytime, while employees need to take that call from anywhere. BYOD offers organizations opportunities for lower procurement costs, increased efficiency and heightened employee commitment. But it also requires organizations to assume technology support for their employees' devices along with material maintenance, the need to ensure compatibility, training and employee expense reimbursement.



Cloud

Cloud technologies make data accessibility possible from almost anywhere, enabling employees to work from any location. However, when the organization's data is accessible from any location, protecting it is of primary importance. Robust data protection programs must be implemented – by the organization and its third party providers – including reliable backup, recovery plans, passwords, firewalls and cyber security.



Shared services

Outsourcing is an efficient, cost-effective way to access an extended talent pool to perform various non-core activities. Although these activities are performed outside the organization, management remains responsible for them. Audit committees should ensure that proper controls have been put in place to protect the information used by the outsource provider and ensure the reliability of information that provider creates for the organization. Since the organization continues to own the data, protective programs are needed to recover data, transfer the service to another supplier or take the service back in-house if problems arise.



Social media

Organizations are using social media to build relationships with customers and other key stakeholders, while increasing their own efficiency and effectiveness.

For example, organizations no longer need to maintain subscription services, which is a time and resource consuming exercise. Instead, many now allow subscribers to login using their social media profiles, an approach similar to outsourcing customer relationship management to a third party, which eliminates the need for the organization to maintain contact information or dedicated mailing platforms.

Activities that capture and utilize subscriber information need controls to protect that information from improper use. Organizations also need a recovery plan so they can continue reaching their subscribers if problems arise with the social media service.



Audit committee action plan...

- Ensure IT strategy is aligned with the organization's overall business strategy.
- Understand and manage the organization's technology risks including cybersecurity.
- Regularly review IT policies to ensure they take into account emerging technology.
- Ensure that an education program is in place to stay abreast of evolving technology developments.



Cyber threats

No organization should underestimate the cyber-related threats it faces, either directly or through its relationships with others.

Cyber threats are actually a new form of old risks. Similarly, the risk management steps taken for physical properties need to be adapted to virtual facilities. These include access rights, recovery plans, background checks, ensuring that a competent team is in place, education programs to build employee skills, and more. New tools are also being developed to help mitigate cyber threat risks. Similar to the way antivirus applications are developed, these tools collect knowledge around cyber attacks provided by participating organizations, and use data analytics to detect indicators of potential threats in order to deploy appropriate defense strategies.



Data analytics

All technology approaches involve collecting data for a variety of purposes: procurement, invoicing, subscriptions, recruiting, and so on. With the advent of cheaper, powerful technologies, organizations of all sizes can cross tabulate the information they collect to create intelligence from raw data.

Data analytics is a powerful tool to help management make informed decisions, though some important issues need to be managed:

- **Privacy and confidentiality.** Organizations often collect data for a specific purpose, such as a subscription. However, they should not use that data for other purposes – such as to identify opportunities to sell additional services – without the legal and social right to do so.
- **Expertise.** Data analytics – digging for filtered information in various databases – requires knowledgeable experts to assess all of the data variables and turn that information into useful intelligence.

Audit committees should ensure that the right protections are put in place to maintain the integrity of data analytic activities. These include employee education programs, instituting a privacy policy and confidentiality agreements to govern the appropriate use and dissemination of data, rights of access to captured data and obtaining express consent from individuals who have provided confidential information.



The IT department

While the IT department is no longer solely responsible for an organization's technology, it still plays a central and increasingly important role as technology use continues to expand. A continuous learning program should be implemented to keep the IT team members current with emerging technologies so they can support the organization and be a strategic advisor to senior management and the board of directors.

Paying a “fair share” of tax

The obligation that organizations have to pay taxes has long been understood. Recently, however, agreeing on exactly what a “fair share” of tax actually means has become less certain.

While governments are implementing stringent cost cutting measures to control expenditures, there has been a growing perception that the general public must bear a higher tax burden than necessary because some taxpayers are not paying their fair share.

In this environment, organizations and their tax strategies have come under significantly increased scrutiny. Between activist groups and the media, many organizations have been called out for not paying their “fair share” of tax. That is not to say these organizations weren’t paying all of the taxes they were required to pay under the law. Instead, the amount they were seen to be paying was deemed to be insufficient in the court of public opinion.

No one – individual or organization – wants to pay more tax than they owe, and the purpose of tax planning is to ensure that unnecessary tax expenses are not incurred. Tax law, however, is often very complex with many grey areas where the ultimate effectiveness of a particular tax strategy is only determined through a court decision. Nevertheless, some indicators that may attract the attention of tax authorities and the public include:

- Unnecessarily complex organizational structures
- Entities incorporated in jurisdictions where the organization has no business activities
- Significant amounts of permanently reinvested earnings in foreign jurisdictions
- Low consolidated effective income tax rates
- Geographic disconnects between where profits are earned and taxes are paid.

The boundaries of an organization’s tax management strategy should be set by the board of directors and/or audit committee and the organization’s Chief Tax Officer and the Chief Financial Officer. The board needs to ensure that the organization employs tax strategies that are well founded in tax law, and also understand how those strategies may be perceived in the court of public opinion.

Canadian tax developments

The Canadian government has taken steps to improve the transparency of taxpayer transactions. Three provisions introduced in the 2013 federal budget provided for:

- Enhanced reporting of foreign assets and income
- The introduction of a whistleblower program to reward individuals for information leading to the collection of tax resulting from international non-compliance
- Requiring certain electronic funds transfers to be reported to the Canada Revenue Agency.

These new measures follow the earlier introduction of reporting requirements in respect of certain transactions that are considered to be for the purposes of tax avoidance.

Canada and other G20 countries are concerned about the erosion of their tax bases. In Canada, the Department of Finance has introduced legislation that addresses certain tax planning ideas that are considered to have unintended consequences. This legislation is in addition to Canada’s general anti-avoidance rule (GAAR), which addresses abusive tax planning and includes various specific anti-avoidance rules. The House of Commons Standing Committee on Finance has also released a report, *Tax Evasion and the Use of Tax Havens*, which provides various recommendations, including greater international cooperation among countries and their tax authorities.

The Canada Revenue Agency’s commitment to “combat international tax evasion and aggressive tax avoidance” is supported with an investment of \$15 million, which is dedicated exclusively to international compliance issues and revenue collection. This follows the recent implementation of a large business audit strategy, which is based on a taxpayer’s risk categorization that is determined by its corporate structure, audit history, industry sector issues, existence of unusual and/or complex transactions, international transactions, participation in perceived aggressive tax planning, level of corporate governance, and openness and transparency.



Audit committee action plan...

- Review the organization's current tax strategies and tax risk profile and compare them to its policies and statements (e.g., Corporate Social Responsibility) or investor profile.
- Ensure that the organization's strategic and other decisions are in accordance with its tax strategy.
- Ensure that a comprehensive communications plan is in place to ensure the consistency of statements regarding tax made in the media, in financial statements or elsewhere.
- Review the organization's tax arrangements in each jurisdiction in which it operates.



International developments

The Organization for Economic Co-operation and Development (OECD) has published an *Action Plan on Base Erosion and Profit Shifting (BEPS)*, which had been presented at the G20 Finance Ministers meeting in Moscow on July 19, 2013. The *Action Plan* sets out 15 areas for further work and a timetable for completion.

The OECD's objective, with support from the G20, is to have countries adopt a common platform regarding international taxation, thereby eliminating competition between countries based on income taxes. The measures the OECD are proposing will remove some of the sovereignty that countries now have related to income taxes. For the OECD plan to succeed, all countries must agree to adopt the new rules, which will require them to change both their domestic laws and all of their current tax treaties. Since that could be a lengthy process, the OECD is proposing a novel and untried approach of enabling countries to implement a multilateral instrument that would change all of their tax treaties with one measure. Time will tell whether or not all countries will agree to accept the OECD's plan, and whether the multilateral instrument will prove to be an effective way to amend their tax treaties.

Organizations should begin preparing for the proposed changes. At a minimum, multinational organizations should prepare for an increase in documentation and disclosure requirements. A potential outcome of the OECD's project is that multinational organizations that have, for example, taken advantage of the tax incentives available in a particular country in return for operating in that country may find these arrangements are no longer effective. Audit committees should carefully determine which of the organization's tax structures might be affected and in what countries. They should ask management to determine the potential impact on the organization's effective tax rate and, therefore, on its financial statements.

Rising to the challenge

Audit committee responsibilities have increased significantly over the past decade, and will likely continue to expand in the years ahead. What isn't changing is the amount of time audit committee members have to carry out their growing duties. Audit committees must, therefore, ensure that they work as effectively as possible.

Given the range, complexity and often times volatility of the issues audit committees must address, audit committees need to implement a strong education plan to keep their members up to date and fully apprised of key developments affecting them, their organization, and their responsibilities.

Audit committees need to use their meeting time efficiently. Many audit committees use consent agendas, which combine all routine, procedural, informational and other non-controversial items in a single motion, to maximize the time available to the committee to focus on more substantive matters. Meeting efficiency also depends upon committee members taking sufficient time to prepare for meetings. Documents should be provided to audit committee members well in advance of the meeting in a format and level of detail that enables audit committee members to fully understand the issues being discussed. When those matters are particularly complex, the audit committee should seek the advice of experts. And whenever something is not clear, committee members should never hesitate to ask questions until they get the clarification and answers they need to understand the issues.

Many of the new rules introduced in recent years complicated the financial reporting process by adding new requirements to existing ones without eliminating redundancies or creating synergies between standards. Audit committees may wish to consider become more active in the standard-setting process by participating in roundtables organized by standard setters, responding to invitations to comment, soliciting interpretations on complex or absent requirements and so on.

Another factor that will increase in future is the scrutiny under which audit committees must perform their duties. Audit committees need to keep focused on their primary responsibility – ensuring the delivery of high quality financial reporting to the organization's stakeholders. In this regard, audit committees should consider whether the organization's reporting reflects an appropriately longer-term strategic focus, rather than only a shorter term quarter to quarter perspective. In addition, to help the organization's stakeholders better understand the audit committee's role and its decisions, audit committees should clearly document their activities and communicate that information appropriately.

We hope the issues discussed in this publication serve as a catalyst for discussion among your audit committee members. We encourage you to contact your Deloitte partner to continue the conversation.

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Resources

Brand and reputation

- Fighting Fraud, Waste, and Abuse: Taking the Next Step Up (Aberdeen Group, November 2013)
- Exploring Strategic Risk (Deloitte United States, September 2013)

Financial reporting

- International <IR> Framework (IIRC, December 2013)
- “Breaking the boilerplate”, speech by Hans Hoogervorst, Chairman (IASB, June 2013)
- The Path Forward on Disclosure, speech by Chair Mary Jo White (SEC, October 2013)

Regulation

- Enhancing the Audit Committee Report: A Call to Action (Several nationally recognized U.S. governance organizations, November 2013)
- Report from the Working Group on Quality Audit Indicators (PCAOB Standing Advisory Group, November 2013)
- A Clear View of Governance, Risk and Compliance (Thomson Reuters Accelus, 2013)
- An Investigation into the Relationship Between Audit Committee and Audit Quality (Australian Journal of Basic and Applied Sciences (November 2013)
- Enhancing Audit Quality: Conclusions and Recommendations (CPAB, May 2013)
- Audit Committee Annual Evaluation of the External Auditor (Several nationally recognized U.S. governance organizations, October 2012)

Taxation

- Corporate tax evasion, avoidance and competition: Analyzing the issues and proposing solutions (CPA Canada, November 2013)
- Directors Briefing: Board Oversight of Tax Risk Questions for Directors to Ask (CPA Canada, May 2013)
- Tune into the Topic: Global debates on Responsible Tax, Anti-avoidance, and BEPS (Deloitte, August 2013)

Technology

- Steps the C-suite and board can take to guard against cyberthreats (Deloitte United States, May 2013)
- The Top 5 Cybercrimes (AICPA, October 2013)



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