

# Deloitte.



The Audit  
Committee  
Chair of the Future

The South African Perspective

## Audit Committee chairs are now required to anticipate emerging risk to safeguard the integrity of financial reporting – building a culture of transparency and accountability.

### A changing world, a future-focused audit committee chair

For several years now, the audit committee chair's role has consistently expanded. Beyond financial reporting oversight, audit committees are now expected to consider enterprise-wide risk. From sustainability frameworks to the risks associated with emerging technologies to anticipating geopolitical shifts, audit committees continue to widen their remit.

In this global Deloitte report, *The Audit Committee Chair of the Future*, we provide insights and recommendations on the ways these committees may adjust their capabilities, processes, and skillsets. In this document, we provide a South Africa specific view, which should be read together with *The Audit Committee Chair of the Future publication*. We have interviewed audit committee chairs in South Africa, as well as Deloitte subject matter experts, each providing insights on the shifting nature of the committees' work in local organisations.

Across our interviews, local audit committee chairs recognised the new pressure and expectation to upskill – or to surround themselves with those with the right skillsets. They also recognised an increasing need to focus on impactful, ethical leadership.

These chairs noted a rapid change in what is required of them, often due to technological disruption, consistent regulatory changes – both local and international – and complex geopolitical

factors. Non-financial knowledge is increasingly important, from the connections between macroeconomic trends (like the recently imposed US tariffs) to the advent of artificial intelligence technologies and their effects on work processes. These concerns are consistent with the global report's findings and mirror those of international audit committee chairs.

To address these concerns, board governance processes need to be streamlined to improve overall effectiveness. South Africa has a highly developed and respected regulatory framework for audit committees, particularly the Companies Act of 2008 and the recently updated King Code on Corporate Governance. These prescripts are regarded as leading frameworks due to their consideration of global best practice, while incorporating important local distinctions.

Because of this increasingly progressive environment, the majority of large organisations already split their audit and risk committees into two separate functions to avoid duplication of efforts.

However, this has not necessarily cut down on the growing workload for local audit committee chairs, whose role and workload continues to grow. They feel the need to anticipate macro-events while filling the expertise and knowledge gaps to provide the oversight required for organisational growth.



### Strategically curious, quick to act, and independent

As the role of the audit committee chair becomes more strategic, it now requires staying current on market forces and industry developments and fostering a mindset of continuous learning. This inherent curiosity is essential, our chairs said, to holding company boards to account.

Several chairs highlighted the importance of spending time within the organisation among its key stakeholders to better understand the organisation's structures, processes, and pain points. However, they must do so carefully, one chair explained, to maintain independence.

The composition of the audit committee was a consistent concern across our interviews. The South African Companies Act requires a minimum of three members on the audit committee team, however, for some chairs representing large multinational entities, this is inadequate.

99

You have to stay current. One needs to foster a mindset of continuous learning. That strategic curiosity is not something that can be bought, it's inherent – and required – for a successful committee.

Audit Committee Chair of a leading South African financial services provider

Regardless of size, it is crucial, the chairs say, to create boards with greater diversity of thinking in addressing emerging risk factors.

Once, most audit committees comprised solely of chartered accountants. But now broader input is needed due to divergent risks, from a core understanding of digital innovation to ESG expertise. This can be provided through permanent committee members or ad-hoc advisors.

Attributes of a successful audit committee chair:



Adaptable



Investigative



Future-focused



Always Prepared



It's beneficial for audit committee chairs to surround themselves with the right people. Those who share a similar, transparent approach to their role and practice ethical leadership with a goal to embed purpose throughout the organisation.

Throughout the interviews, an interesting diversity factor emerged: the age of the committee members. While in the past the audit committee was often made up of those past retirement age, multiple chairs suggested that the inclusion of younger team members and advisors could be a significant benefit. This is especially true in an age of emerging technology and shifting risk.

But how does the committee determine these risks in the first place? Global audit committee chairs maintain identifying risk is a key part of their role – they are expected to anticipate and prepare for future shifts, including AI and quantum computing and the related talent issues. The need to identify emerging risk aligns with many local chairs, who consider identifying controls gaps a vital aspect of their current responsibilities that will compound in the future. This, while requesting specific emerging risk information from the relevant organisational stakeholders.

**Ethical leadership and transparency**  
Independence will remain core to a successful audit committee as the chair navigates a consistently evolving governance landscape. The chair's role is to help create a culture of accountability and transparency within an organisation. This is especially true in countries combating corruption.

Failed audit committees lead to failed governance, whether through negligence or a lack of independence. This can lead to dire reputational consequences at an individual, corporate or even national level. Rather, the audit committee plays a critical role in the ecosystem of management, assurance providers and those charged with governance, all of whom are part of a mechanism which must put a stop to corporate fraud and financial misstatements.

The ethical powers and capabilities of committees can be improved with the right regulation, however, but a culture of ethical leadership must also be embedded to instil these values throughout the organisation.

### A commitment to ongoing development

As the scope of oversight for the audit committee expands beyond financial reporting to encompass emerging risks and sustainability, chairs must build diverse, future-focused committees and champion transparency. By cultivating a culture of curiosity and accountability, and by equipping themselves and their teams with the right skills, audit committee chairs can help organisations navigate complexity while insisting on accountability. Ultimately, the chair's commitment to ongoing development and principled leadership will be pivotal in shaping resilient and responsible organisations.

## King V and the audit committee

The recent publication of the King V Code on Corporate Governance (King V) brings renewed focus on the benefits and necessity of good corporate governance – and is essential to ensuring that boards and their assigned committees function efficiently and ethically.

The Code provides guidance for organisations – at a board and committee level – to ensure good performance, effective control, and legitimacy by fostering an ethical culture and promoting a responsible corporate citizenship.

*The revised code recommends independent directors for both the social and ethics and risk committees to enhance objectivity. It also advises boards to periodically assure the effectiveness of internal controls – financial, operational, reporting, and compliance – in collaboration with the audit committee.*

*Additionally, King V expands technology governance to cover the company's use and management of emerging technologies, including artificial intelligence, with new recommended practices for their acquisition, development, and deployment.*

## Recommendations for the Chair of the Future

Our experts recommend new audit committee chairs consider the following questions:

1

In terms of internal controls, what gaps have been identified and how can we bridge them?

2

Does the committee have the right skills to deliver on its mandate?  
Who should be consulted to prevent a knowledge deficit?

3

Are all committee members playing a unique role and contributing meaningfully to the governance of the organisation?

4

How can the committee strike the balance between ensuring trust with management and challenging them when necessary?



## Contributors:

### **Eric Tshabalala**

Managing Partner for Audit & Assurance, Deloitte Africa  
etshabalala@deloitte.co.za

### **Dr. Johan Erasmus**

Chief Ethics Officer, Deloitte Africa  
jerasmus@deloitte.co.za

### **Nina le Riche**

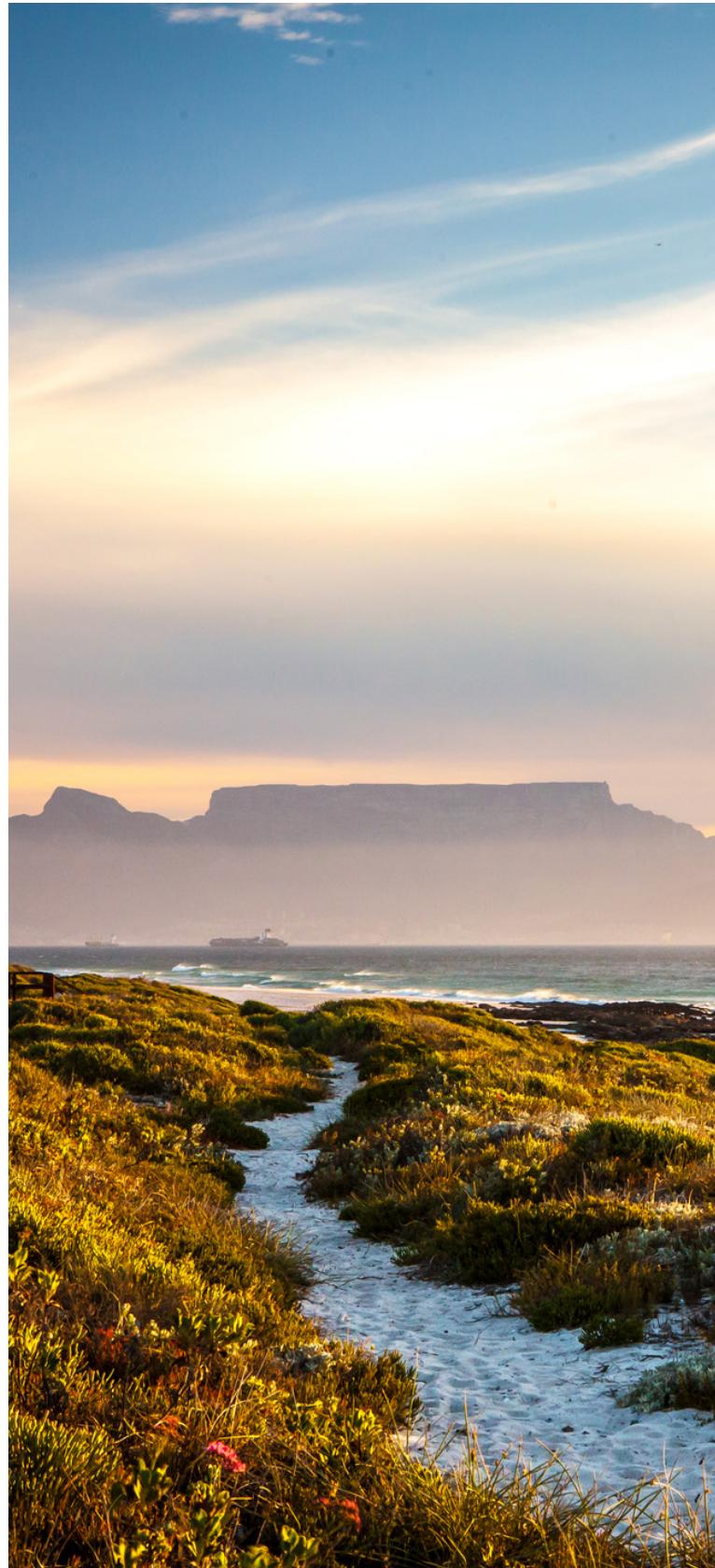
Chief Growth Officer, Deloitte Africa  
nleriche@deloitte.co.za

### **Tendai Shitto**

Associate Director for Strategic Governance and Risk Management, Deloitte South Africa  
tshitto@deloitte.co.za

### **Rushkin Padayachy**

Senior Manager for Risk Advisory and Enterprise Risk Management, Deloitte South Africa  
rpadayachy@deloitte.co.za



# Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides leading professional services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets and enable clients to transform and thrive. Building on its 180-year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 470,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.