



The Institute of  
Internal Auditors  
Indonesia

# 2014 ACIIA CONFERENCE BALI, INDONESIA

**ASIAN CONFEDERATION OF INSTITUTE OF INTERNAL AUDITORS**

**The Stones Hotel - Legian, Bali**

**24 - 25 November 2014**

Organized by:



Supported by:





# **Building Internal Audit's Relationship with Audit Committee**

Bob McDonald OAM  
Independent Chair  
NPRSR Audit & Risk Committee



# Agenda

- Where to Start
- How do you Feel
- Background
- Preparing Reports
- Writing
- Presentation
- Follow Up



# Where to Start

- Who is the Audit (& Risk) Committee
- What do they Do
- Friend or Foe



# Who is the Audit (& Risk) Committee

- Required by Legislation, Policy or Better Practice
- Treasury Guidelines
  - <http://www.treasury.qld.gov.au/office/knowledge/docs/improving-performance/improving-performance.pdf>
- Appointed by Board or CEO
- Charter



# What do they Do

- The purpose of the audit committee is to provide assistance to the accountable officer or statutory body. An audit committee's roles and responsibilities will be set out in its **charter** and will be determined after consideration of agency specific factors.



# What do they Do

- Obtain assurance from management that all financial and non-financial **internal control and risk management** functions are operating effectively and reliably.
- Provide an independent review of an agency's **reporting functions** to ensure the integrity of financial reports.
- Monitor the effectiveness of the agency's **performance management** and performance information.
- Provide strong and effective oversight of an agency's **internal audit** function.



# What do they Do

- Provide effective liaison and facilitate communication between management and **external audit**.
- Provide oversight of the implementation of accepted **audit recommendations**.
- Ensure the agency effectively monitors compliance with **legislative and regulatory** requirements and promotes a culture committed to lawful and ethical behaviour.





# Friend or Foe

- With independent members, provide an objective view
- Assist the accountable officer
- Ask the hard questions
- Understand the charter, their roles and responsibilities



# How do you Feel

- State of mind
  - What is required
  - What is understood
  - Clear and unambiguous
- Painful
- Lip service
- Serious



# Background

- Who is on the Committee
- Strengths, areas of expertise, take time to understand the audience
- Potential conflicts of interest
- Who do you know
- Meet the Chair
- Planned Induction Program



# Background

- Education of Committee Members
  - Training
  - Updates, policies, accounting standards etc
- Audit Committee and Team Members
- Location of Meetings
- Out of Session Discussions
  - Planning
  - Reports
  - Follow Ups



# Preparing Reports

- **Relevance**
  - what is the topic
  - Big picture vs detail (appendices)
- **Integration**
  - Consistent information
  - Ties with other papers
- **Perspective**
  - historical, current and future



# Preparing Reports

- Timeliness
  - Imperfect rather than out of date
- Frequency
  - Once, monthly, quarterly
- Reliability
  - Data is accurate and reliable
  - Good quality and relevant
  - Trusted
  - unbiased



# Preparing Reports

- Comparability
  - performance against benchmarks and targets
  - Easy comparisons
- Clarity
  - text is clear and simple
- Template
  - Use it
- Recycle or rewrite



# Writing

- Precise
- Informative
- Simple
  - Tell them what you are going to tell them (Summary)
  - Tell them what you told them (Report include appendices)
  - Tell them what you told them (Presentation)
  - Help them understand the message
- Succinct
  - Weight does not equal quality
- Significant
  - Who cares





# Writing

- Write with the audience in mind
  - Objective set of eyes, how can it be interpreted
- What needs to be done with the paper
- What questions do you want them to ask
- Keep it tight i.e. key themes, cultural message, trends etc.



# Writing

- Keep at the right level: governance vs management
- Don't obfuscate or bifurcate
- Determine perspective of paper
- Don't use emotive words



# Writing

- Keep at the right level governance vs management
- Don't obfuscate or bifurcate
- Determine perspective of paper
- Don't use emotive words
  - Serious problem,
  - Terrible, worst we have seen
  - Many deficiencies



# Writing

- Strategic direction and impact
- Resources, money, management, people etc.
- Monitoring performance
- Ensuring compliance
- Risk discussion, full and frank
- Accountability



# Writing

- Structure
  - full text or dot points, other
- Intent
  - **For noting** This paper is for noting that.....
  - **For information** This paper is for information in relation to.....
  - **For discussion** This paper will be discussed at the meeting.....
  - **For decision** This paper calls for a decision on.....



# Writing

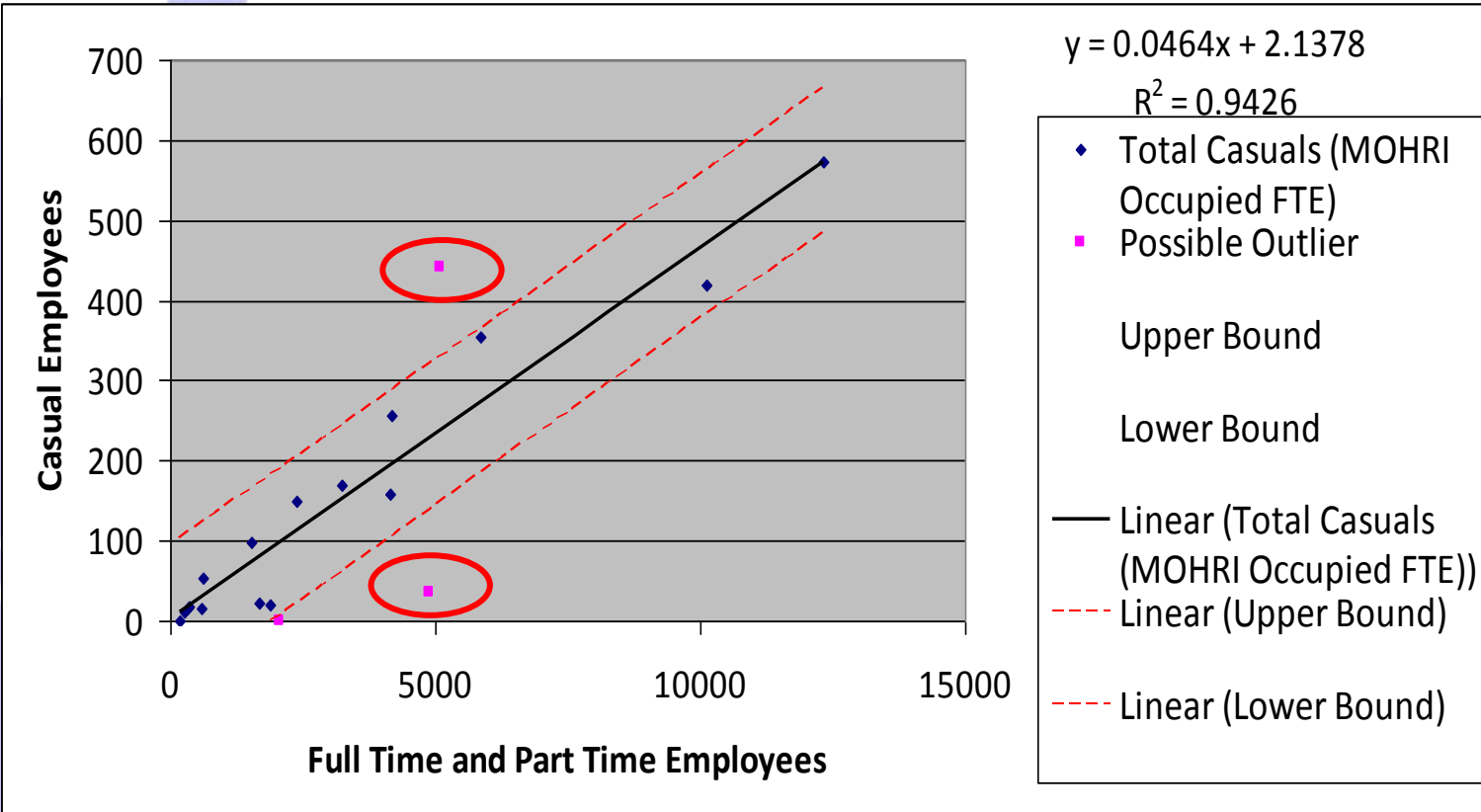
- Picture vs Words
- Simple bar chart
- Comparative bar chart
- Trend lines
- Analysis, standard deviation, bell curve
- Tables
- Illustrations, photos



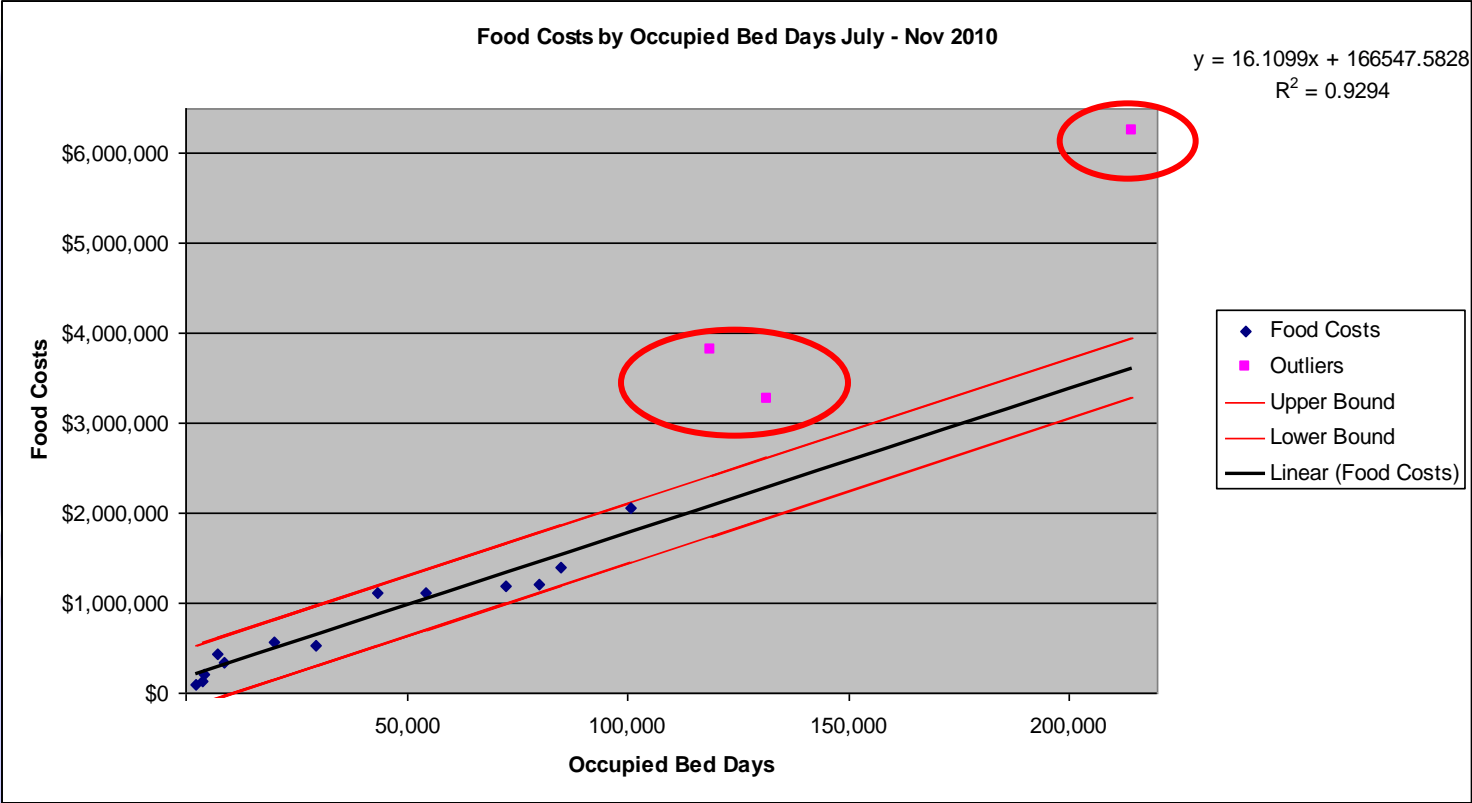
# Writing

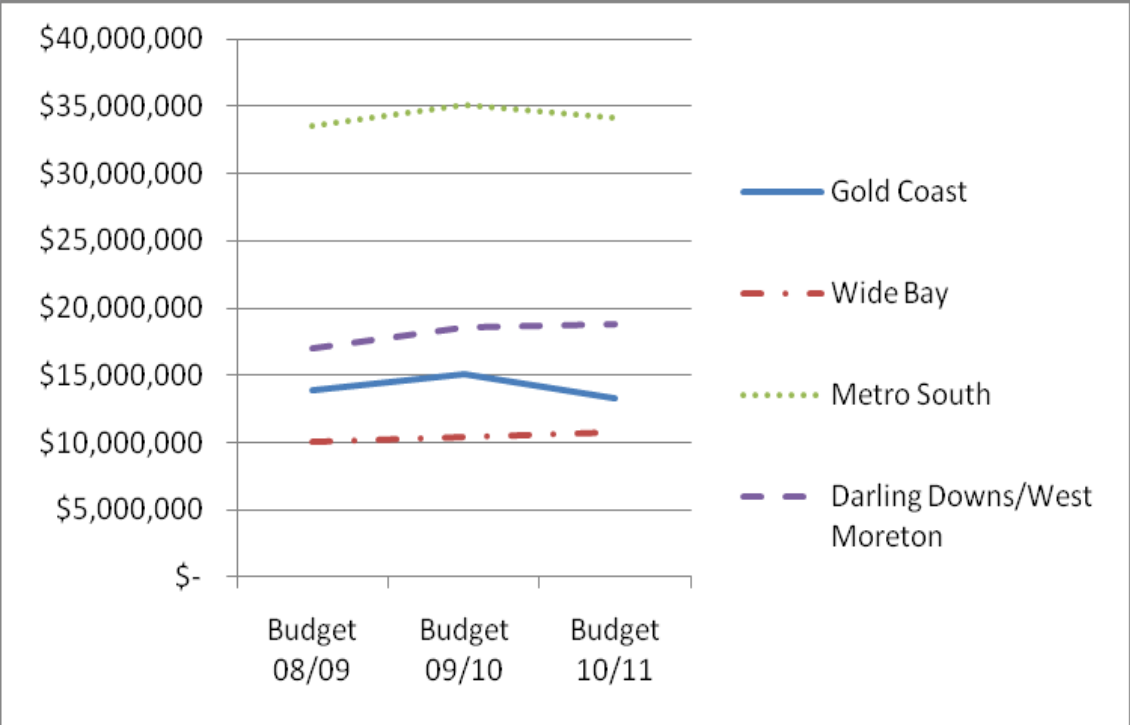
- Don't use jargon
- Be conscious of terms used in technology especially when installing new technology
- Explain in simple terms
- “The algorithm behind a peer to peer lending platform”
- “three-way-checking-software”

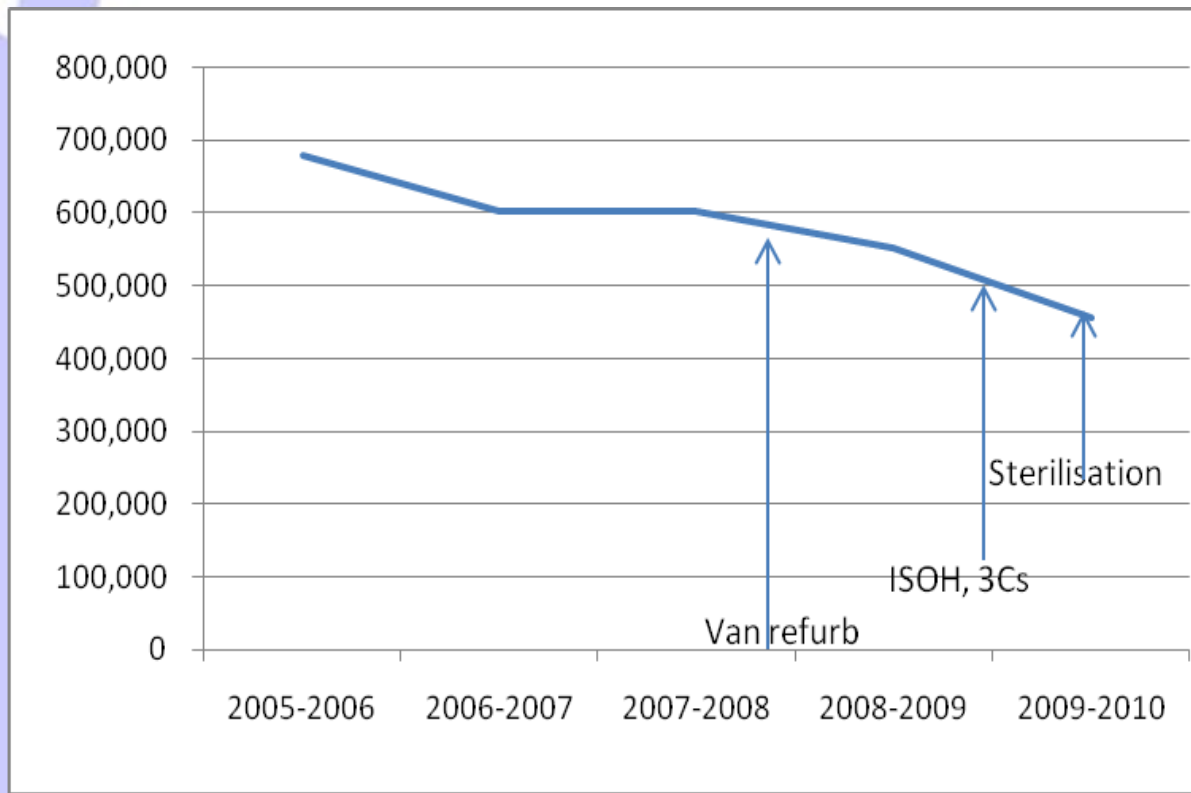












# Writing

- ICT Project Report
- When to start reporting to AC
- Who
  - Project Director, Project Owner, Project Board/Steering Committee
- How often
- What to report
  - Why, timeframe, key deliverables, budget, resources, risks, performance, Gateway results



# Presentation

- Are you the right person
- Hit the highlights
- Time for Q&A
- Don't wing it
- Prepare and practice (6 P's)
- If don't know, acknowledge and respond



# Presentation

- Visit the meeting room
- Ensure computer and projector available
- When they will be turned on and checked
- Deliver presentation beforehand
- Handouts – secretariat to have available and distribute
- Elephants in the room



# Follow Up

- Questions on notice
- Action items from the meeting
- Key, accuracy, reliability and timeliness
- Learn and respond positively



# Questions





# References

- [Presenting to Boards - practical skills for effective presentations](#)
- **by Julie Garland McLellan**
- [http://www.mclellan.com.au/book\\_presenting\\_to\\_boards.html](http://www.mclellan.com.au/book_presenting_to_boards.html)



# References

**What makes a good Audit  
Committee report?**

[Tom McLeod](#)

**"One of the world's leading Chief  
Audit Executives"**

**Using the Three S's approach**

<http://goo.gl/SThfQW> | Free  
newsletter: <http://goo.gl/sKh2nS>



# Contact Details

- Bob McDonald
- [bob.mcdonald@ocm.net.au](mailto:bob.mcdonald@ocm.net.au)
- 0401 142 505

