

Audit Committees: Transparency, Accountability and Performance

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Audit Committees



CURRENT SITUATION IN THE REGION
WITH RESPECT TO ESTABLISHMENT OF
AUDIT COMMITTEES



NON-FINANCIAL REPORTING AND
AUDIT COMMITTEES



INTERACTION WITH INTERNAL AUDIT

Audit Committees – current situation in the region



In emerging markets such as the Western Balkans, typically audit committees are fully operational in companies with a board structure (either supervisory boards or board of directors) and these are predominantly publicly traded companies.



In other companies where there is no real board structure, audit committees are usually comprised of non-board members



Audit Committees need to be fully institutionalized first so that a competent authority can meaningfully assess their performance



Independence is important, even at the EU level there is no absolute guidance what independence of audit committee members means, especially if the audit committee is comprised of non-board members (as s guidance, refer to IFC definition of independent board member)

Audit Committees – Non-financial reporting



- As sustainability or ESG matters become an integral part of company strategy and its governance processes, they will be more integrated in traditional areas of competence of an audit committee
- Especially with respect to the reporting to include the oversight over non-financial aspects
- Integration of ESG in risk management is crucial, as well as the role of the audit committee in identification of risks
- Same as financial reporting, board will ultimately bear the responsibility for accurate non-financial reporting, especially with a view of monitoring assurance process

Audit Committees – Internal Audit



Audit committees must also monitor and review the effectiveness of the organisation's internal audit function.



Best practice recommends, where there is no internal audit function, the audit committee should consider annually whether there is a need for it and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.



Problem remains to oversee an internal audit where such a function has been outsourced, and there is no relevant function within the company



In companies where there is no board, internal audit is in practice accountable to the management