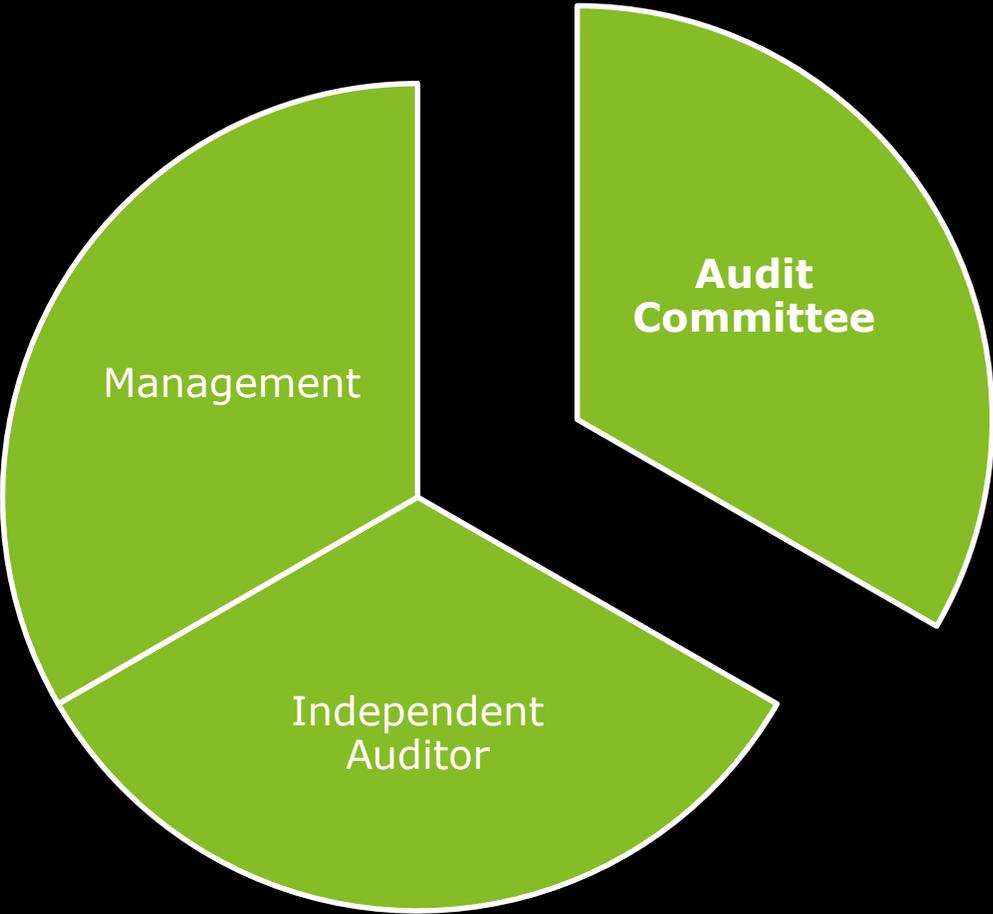




The changing role of the Audit Committee
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July 11, 2019 - IBR

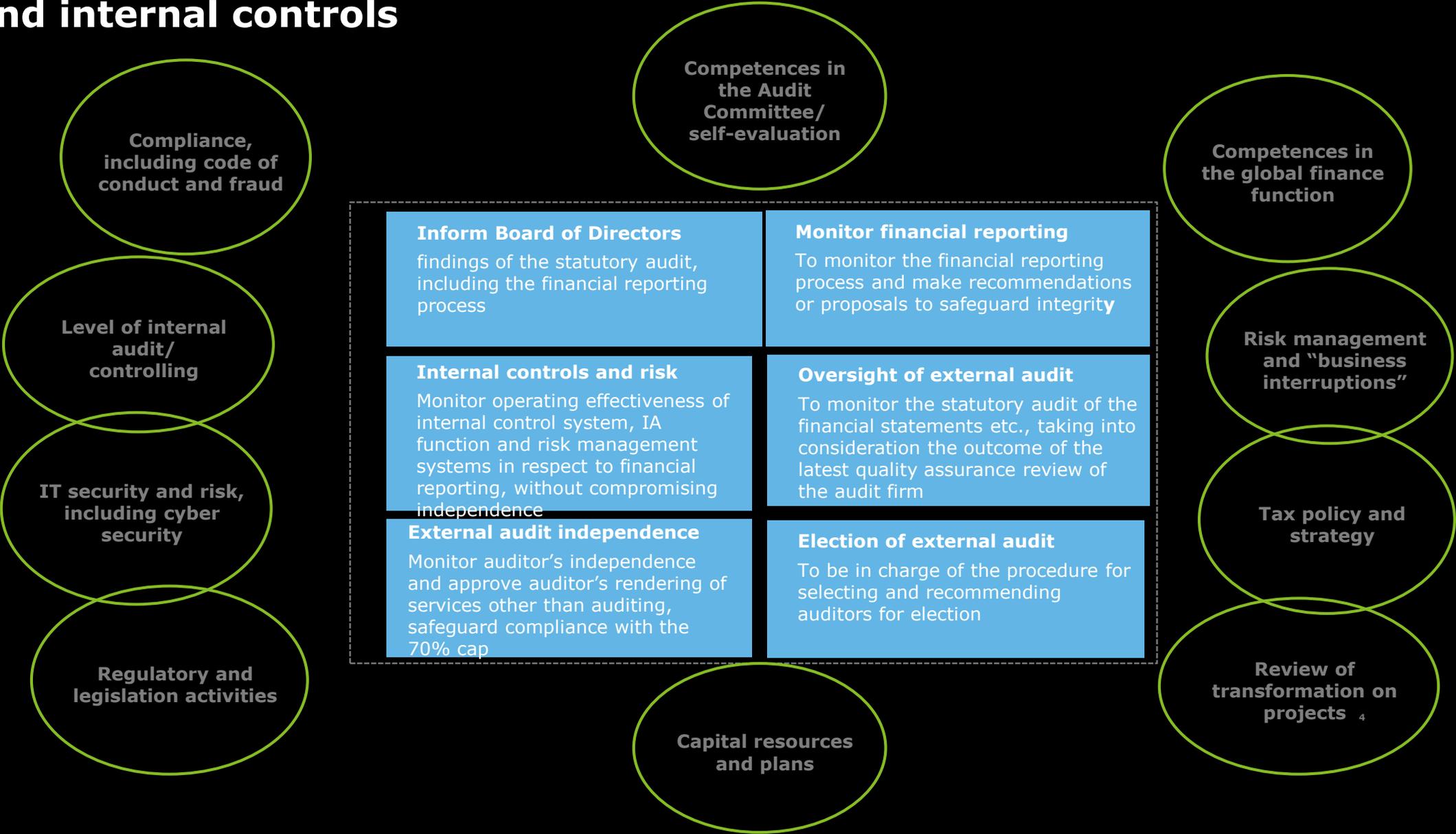
Distinct Roles



EU Regulation 573/2014 Statutory audits of PIE
Statutory Audit Law 162/2017
NBR Regulation 5/2013
FSA Regulation 13/2019

RISK vs. COMPLIANCE

Focus on financial reporting process, risk management and internal controls



NBR Regulation no. 5/2013



Industry knowledge and experience

ASF Norm no. 13/2019,
Chapter 11



At least 1 member shall possess competencies in statutory accounting and audit. **Qualifications ~ CECCAR/ CAFR**

Best practice



Audit committees should review their composition periodically to confirm that members have the **knowledge** and **experience** they need to be effective. In addition to industry knowledge, strong grasp of **internal control over financial reporting** and financial reporting and accounting issues such as revenue recognition, pensions and other postemployment benefits, financial instruments, and critical accounting policies.

"The focus should be on audit quality and not fee reduction. Opinion shopping should be avoided and auditor independence should be a key consideration."

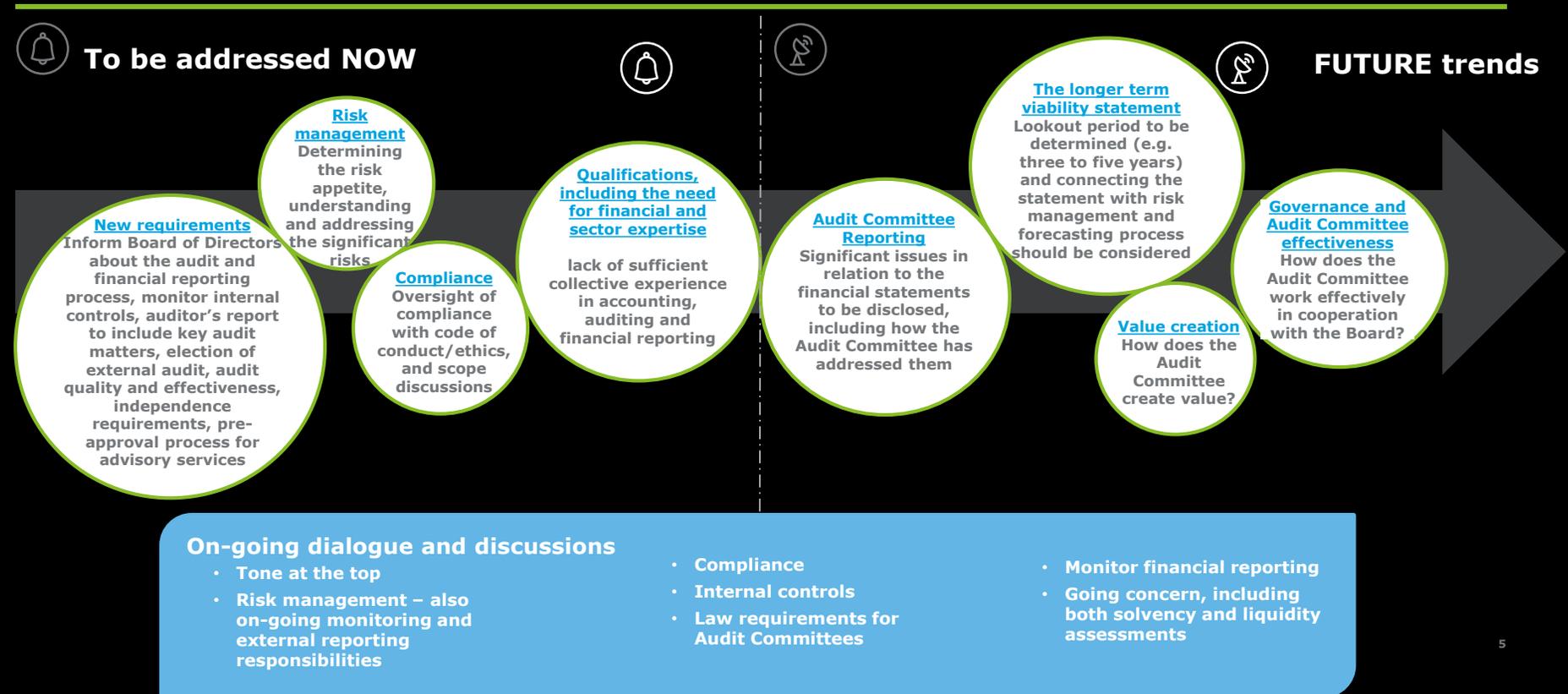
In assessing the auditors, International Organization of Security Commission (IOSCO) recommends that AC consider matters as:



• In accordance with the provision of EU Regulation 537/2014, Article 11 (2), the additional report submitted by the external auditor to the audit committee must contain:

- (a) Declaration of independence
 - (b) Where the statutory audit was carried out by an audit firm, the report shall identify each key audit partner involved in the audit
 - (c) Independence of another statutory auditors or external experts involved
 - (d) Nature, frequency and extent of the communication with the audit committee, management and administrative or supervisory body of the audited entity
 - (e) Scope and timing of the audit
 - (f) Allocation of tasks between the statutory auditors and/or audit firms
 - (g) Description of the methodology used
 - (h) Significant materiality threshold on statutory audit
-
- (i) Events or conditions identified during the audit that may generate significant doubts on the entity's going concern
 - (j) Significant deficiencies identified
 - (k) Significant matters that involve the actual or suspected non-compliance with laws
 - (l) Valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods
 - (m) Scope of consolidation
 - (n) The audit conducted by the auditor of a third country
 - (o) Mentions regarding the provision of information
 - (p) Additional reporting about significant difficulties were encountered during the audit; significant matters arising from the statutory audit; other issues that arise from the statutory audit

What should Audit Committees focus on right now, in the future and in on-going dialogue and discussions?



Deloitte Center for Board Effectiveness you can read or subscribe to a monthly publication addressed to audit committee members.

<https://www2.deloitte.com/us/en/pages/center-for-board-effectiveness/articles/audit-committee-brief-newsletter.html>

ENSURING :

How the Audit Committee Can Help?

- Interactions with management and the Board
- The independence of the auditor
- Ethic and Compliance matters

Tone at the top & corporate culture

Audit Committee

An effective Audit Committee is the reflection of a strong Corporate Governance and Strong Corporate Culture

Audit Committee is becoming **“an extended arm of the regulator”** – at a time when regulation is becoming more intrusive



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