

TOUGHER AUDIT COMMITTEES INCREASE DEMAND FOR FDs

TOUGHER new audit committees designed to prevent Enron style accounting scandals happening in the UK could become hamstrung due to a lack of financial directors to sit on them, according to interim management specialists Executives Online.

The new corporate governance code, launched in November by the Financial Reporting Council (FRC), states that at least one member of the audit committee must now have recent and relevant financial experience. All committee members must be non-executive directors.

Executives Online says that experienced financial directors are the only realistic candidates for these enhanced roles. However, many businesses are finding it difficult to recruit FDs willing to take on separate audit committee responsibilities in addition to their own full-time jobs.

Norrie Johnston, Managing Director of Executives Online, says interim directors could be the answer. He explains: "Interim finance directors are experts at taking on high-level positions, quickly getting up to speed to address the needs of a business, making them ideal for a demanding role like an audit committee.

"They are also highly experienced businessmen and women, with proven track records, and are used to standing up and saying when they think something is wrong for a business. They offer an impartial, independent and experienced eye – something audit committees really need, to have any credibility with shareholders and the boards of the companies concerned."

Executives Online has developed a special search service on its website www.financialmanagementonline.co.uk to help businesses find financial directors within its Talent Bank of interim managers that are particularly suited for audit committee positions.

Although it is not usually a full time position, membership of an audit committee is increasingly becoming a demanding and time consuming role, especially for larger companies. The FRC's new code says that audit committee members must be independent non-executive directors, and the chairman of the audited company is ineligible for membership.

In a move to stop the apparent cosiness between management and auditors that was seen to be at the root of the Enron and WorldCom scandals, the code states that British audit committees must be willing to challenge management to ensure accurate reporting of the accounting process.

The key duties of the audit committee are:

- To monitor the integrity of the financial statements of the company, reviewing significant financial reporting judgements
- To review the company's internal financial control system and, unless expressly addressed by a separate board risk committee, the company's internal control and risk management systems
- To monitor and review the effectiveness of the company's internal audit function
- To make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the process, taking into consideration relevant UK professional and regulatory requirements
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm
- To report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken

To find out more about Executives Online's interim management services for audit committees and financial directors visit

www.financialmanagementonline.co.uk or call 01962 829705.

* * * ends * * *

For further media information, please contact:

Paul Beadle or Louise Findlay-Wilson on +44 (0) 1993 823011 or +44 (0) 7801 105001 or email paul@energypr.co.uk / louise@energypr.co.uk