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SUBMISSION TO THE ROYAL COMMISSION FOR FINANCIAL INSTITUTIONS

I am a retired Chartered Accountant whose current professional involvements are limited to honorary audits for community groups, and serving as a community representative on the Audit Committee of our local City Council.

I have followed newspaper reports of the Royal Commission with great interest. However, I have not seen any reference to the role of Audit Committees and the parts they may or may not have played in in the events and actions that have been reported.

I refer you to the following document –

Agenda item 4.1

AUASB Meeting 1 March 2017

AUDIT COMMITTEES

A GUIDE TO GOOD PRACTICE

3rd Edition

A joint publication from the Auditing and Assurance Standards Board, Australian Institute of Company Directors and The Institute of Internal Auditors-Australia

At page 20 it is stated –

To manage identified risks, an organisation’s internal control framework typically comprises three layers:

- Systems and processes (IT risk, business continuity, security)*
- Capability*
- Culture (leadership, behaviour, attitudes).*

Given the number of references to “culture” in the newspaper reports, one can only wonder whether Audit Committees have been doing their job. I have no doubt that there are several qualified Accountants who are members of Audit Committees of Financial Institutions subject of severe criticism from the Royal Commission.

If the role of Audit Committees is not already under consideration by the Royal Commission, may I suggest that it should be added to the list. I believe that the various accounting bodies, including my own Institute, and the AICD, should take a hard look at what has happened and then take strong action – in the interests of all businesses and public bodies as well as financial institutions.

Experience tells us that every ten years or so we need to be reminded of the matter of “culture”!

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