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Audit Committee: The Right Thing for Your Company or Organization?

You might want to ask yourself as you move into 2019: should our company have an audit committee?

If this question comes up, consider the following benefits:

1. **Provide actionable insights to oversee and improve financial practices and reporting.** In high-performing organizations, audit committees provide oversight. Audit committees meet with the CEO and financial officers to review and maintain effectiveness of organizational controls and external financial reporting. They often work in partnership with the finance committee, which is typically focused on internal reports, operational issues, and financial strategy.
2. **Create and maintain effective anti-fraud programs.** With their insights and expertise in financial, legal, management and operational issues, audit committee members can play a proactive role working with a leadership team and auditors in creating and periodically reviewing an organization-wide fraud prevention and detection program. They can also ensure that investigations are undertaken if fraud is uncovered and encourage the organization's leadership team to establish a comprehensive ethics and compliance program. The audit committee should play a similarly proactive role in the review and update of both of these programs.
3. **Enhance the internal audit function.** An organizational structure that has the internal audit team reporting directly to the audit committee contributes to the overall integrity of the internal audit function. Under this structure, the internal audit team can serve as the audit committee's "eyes and ears" regarding the organization's ability to meet its financial and compliance responsibilities and ensure that the organization adjusts practices and internal controls as needed.
4. **Oversee the organization's external audit.** An audit committee meets with external auditors to monitor their services and activities to ensure that independence is maintained between the external auditor and the organization's management team. An audit committee also meets with external auditors to discuss their independent observations on management's ability to maintain strong internal controls, appropriate financial reporting and sound business practices.
5. **Strengthen credibility with stakeholders.** Any company's reputation is its greatest asset. An audit committee communicates a message of independence, reliability, and trust. It also builds confidence among present and potential constituents, donors, creditors, and other stakeholders. Companies and their audit committees can maintain and further build on this positive message by disclosing the audit committee's role and composition, achieving transparency in financial disclosures, and communicating the organization's compliance and ethics policy.

As a partner in a large regional firm, I sometimes get the opportunity to work with audit committees and I can attest to the benefits listed above. Audit committees bring value to what I do as an auditor and CPA for the firm's clients.