

BankDirector

Breakout 2:  
**Maximizing Audit  
Committee Effectiveness**

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#BDAudit24



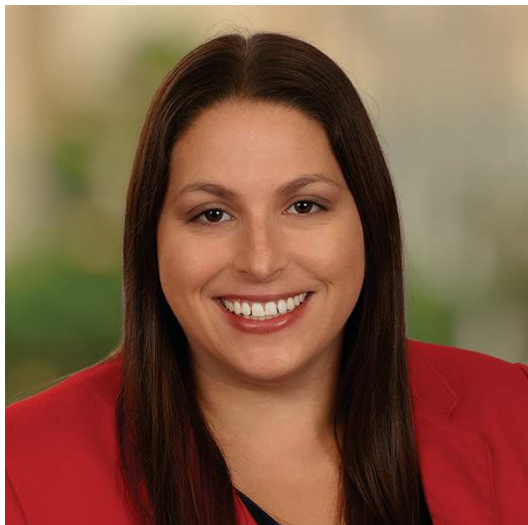
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# Audit Committee Effectiveness:

Evolving from good to great



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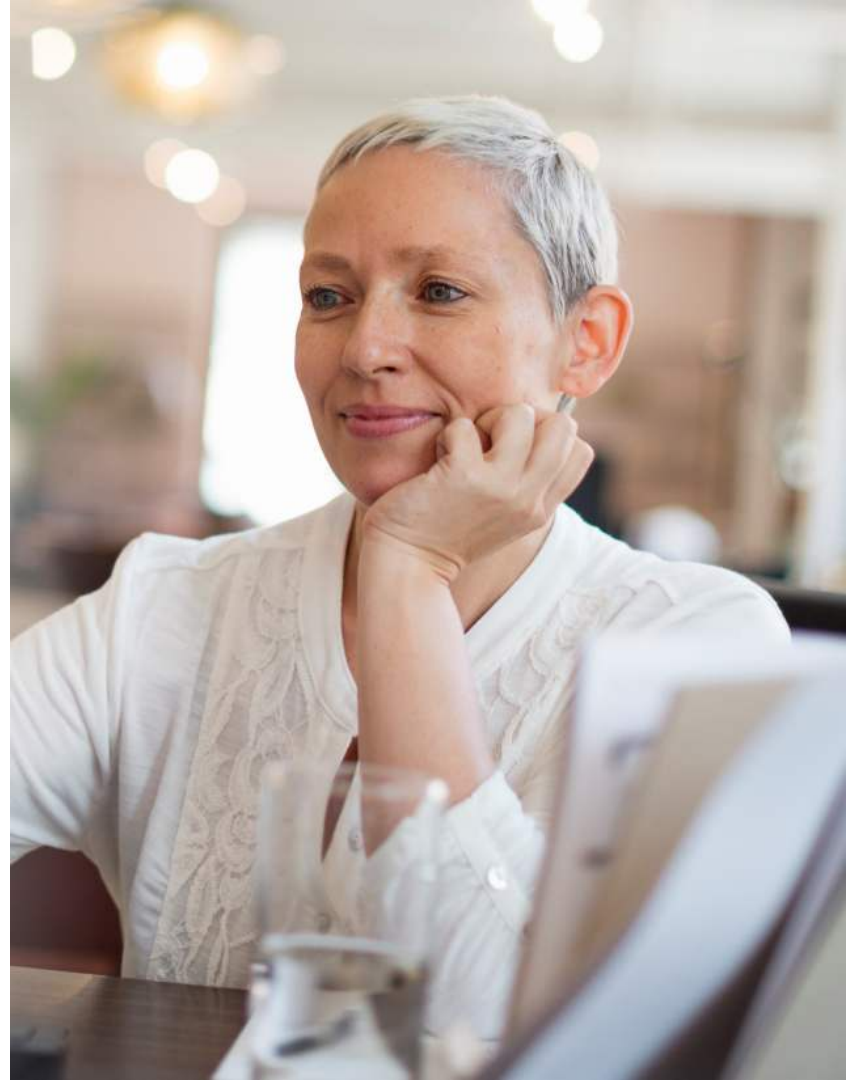
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## Points of view

- Present qualities of high functioning, effective Audit Committees
- Provide a roadmap for Audit Committees that want to evolve from good to great



The role of the Audit Committee is changing. Change is happening both from internal and external forces. Given that context, Crowe recently did some research into Audit Committee effectiveness and set out, essentially, to answer a rather simple question:

**What makes an Audit Committee great?**



## Key takeaways from our research

A highly involved and engaged audit committee can improve audit quality

Empirical evidence links financial expertise on the Audit Committee to a lower risk of weaknesses in a Company's Internal Control over Financial Reporting

# Tenets of effective leadership

Adept at stakeholder communication

Grounded in effective leadership

Attuned to industry and company challenges

Strategic actions and communications

Cognizant of staff and well-being

Focused and proactive on cybersecurity

Up to speed on reporting and compliance

Composed of diverse professionals

Effective at self-assessment and improvement





## Adept at stakeholder communication

### **A good committee...**

- Facilitates constructive dialogues
- Engages different personalities
- Connects informally

### **A great committee...**

- Chair pre-meets with audit partner and management
- Asks tough, informed and proactive questions
- Receives key takeaways from management and auditors



## Grounded in effective leadership

### **A good committee...**

- Keeps the shareholder front of mind
- Leads communications

### **A great committee...**

- Pushes back when necessary
- Prepares ahead for each meeting
- Spots new risks



## Attuned to industry and company challenges

### A good committee...

- Educates themselves
- Understands the 3 lines of defense

### A great committee...

- Broad understanding of bank risks including Cyber, BSA, AML, Dodd-Frank, CFPB, SBA, State risks, etc.
- Taps the expertise of third-parties and internal experts



## Strategic actions and communication

### A good committee...

- Runs models stressing the institution in various situations
- Sees the big picture

### A great committee...

- Has a readily determined incident response team
- Plays offense not defense
- Ensures risks associated with new Board strategy are addressed



## Two traits of underperforming audit committees

Weaker audit committees discharge their oversight responsibilities as a matter of compliance

Underperforming audit committees are generally more reactive than proactive



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