



# Best Practices of Audit Committees in Poland

## INTRODUCTION

The following **Best Practices of Audit Committees** reflect the best international models and experience of listed companies. It is not a closed list of rules, but a set of principles to be verified by the changing expectations of shareholders and market needs.

The application of these Best Practices of Audit Committees is recommended to joint-stock companies operating in Poland, in particular those subject to the statutory duty of appointing an **Audit Committee**.

The detailed principles of procedure regarding the Audit Committee should be defined by the **Supervisory Board** adequately to the scope of tasks delegated to the Audit Committee, the size of the company and the specific nature and complexity of the given business sector.

## I. PURPOSE OF THE AUDIT COMMITTEE OPERATIONS

1. The main purpose of operations of the Audit Committee, constituting a part of the Supervisory Board, is to support the Board in its exercise of financial supervision over the company and to provide the Board with reliable information and opinions owing to which correct decisions on financial reporting, internal control and risk management may be taken efficiently.  
The delegation of certain tasks as responsibilities of the Audit Committee does not relieve the remaining members of the Supervisory Board of their accountability for the company's financial reporting or decisions made by it.
2. The Audit Committee collaborates together with the Management Board, the company's staff and the certified external auditor with the aim of best appreciating the principles of corporate operations and arriving at its own opinion on the integrity of the financial statements, however, no direct control is exercised by it.

## II. TASKS OF THE AUDIT COMMITTEE

The basic tasks of the Audit Committee include supervising the following areas:

1. Process of **financial reporting**, particularly by means of:
  - a) issuing opinions on the accounting policy adopted by the company and the applied principles for the preparation of financial statements, in particular with respect to complex or atypical transactions, any changes made in the above principles as well as forecasts, estimates and assumptions made by the Management Board;

- b) reviewing financial statements prior to their publication and discussing the correctness and completeness of information contained therein with the Management Board and the certified external auditor;
  - c) analysing the audit report on financial statements, including information about any limitations as to the scope of the audit or access to information, refusal to audit or issue an opinion, and difference of opinion, if any, between the certified external auditor and the Management Board; and
  - d) evaluating the process of communication of financial information, including projections and current information, addressed at the media, analysts, investors and regulatory authorities.
2. Operation of the **internal control system** by means of:
- a) assessing the effectiveness of individual components of the company's internal control system, in particular regarding the financial reporting and safety of the information technologies in use; and
  - b) analysing the Management Board's reports on any irregularities found in the internal control system with reference to the financial reporting process.
3. Process of **risk management** to the extent of:
- a) assessing the effectiveness of risk management by the Management Board in the areas of financial, operational and strategic risks of the Company;
  - b) comprehending the impact of business risk (including that overseen by any authorities other than the Audit Committee) on financial statements; and
  - c) assessing the company's policy on property insurance, Directors & Officers insurance and liability insurance for holders of commercial power of attorney.
4. **Internal audit** activities, in particular by means of:
- a) issuing opinions on candidates for the office of internal audit head, determining their remuneration and requesting/ issuing an opinion on his/ her replacement;
  - b) reviewing and issuing opinions on the rules and regulations, work schedule, budget analysis and structure of internal audit; and
  - c) periodic assessment of the implementation of audit plans and activities undertaken by the Management Board in response to any issues identified by the internal audit.
- If the company does not have an internal audit unit, the Audit Committee should, at least once a year, analyse the situation, consider the advisability of establishing such a unit and submit its recommendation to the Supervisory Board.
5. Process of **auditing the financial statements**, in particular by means of:
- a) recommending the entity to audit the financial statements;
  - b) delivering opinions on the rate of fees for the entity authorised to audit financial statements;
  - c) evaluating the independence of the certified external auditor ;
  - d) communication regarding the auditor's plan, methods and results of work; and
  - e) issuing an opinion on any additional services provided to the company by the entity authorised to audit.

6. The Audit Committee shall submit its opinion and the results of assessments and analyses to the Supervisory Board, specifically regarding any irregularities found as well as any differences of opinion between the Management Board, internal audit, certified external auditor and the Audit Committee.
7. The Audit Committee shall carry out the annual review of its work and submit it to the Supervisory Board.

### **III. POWERS OF THE AUDIT COMMITTEE**

1. The Audit Committee shall use any available resources of the company in the execution of tasks assigned to it, including but not limited to the following:
  - a) it has access to any and all information of the company and may carry out or order (subject to the approval of the Supervisory Board) research and analyses within the area of its responsibility;
  - b) within the powers of the Supervisory Board, the Audit Committee may contact directly the company's management, subordinate staff and also any providers of services for the company, legal and audit services in particular, and request the necessary clarifications; and
  - c) it issues recommendations to the Supervisory Board regarding the appointment of any independent specialists or experts in order to obtain the relevant expert opinions or to undertake any research and explanatory proceedings on behalf of the company and at its cost and expense.
2. The Audit Committee has the right to issue its own opinion on the supervision being executed. In the event that any material difference of opinion arises between the Audit Committee and the Supervisory Board that cannot be clarified, the Audit Committee should be able to present its opinion to the shareholders.
3. The powers of the Audit Committee not arising directly from the legal regulations should be set out in the company's Articles of Association.

### **IV. APPOINTMENT OF THE AUDIT COMMITTEE**

1. The Audit Committee consists of at least three persons and its size depends on the scope of tasks delegated by the Supervisory Board, the number of the Board's members and the size of the company.
2. Already at the time of appointment, each member of the Audit Committee should have knowledge in the area of finance sufficient for them to comprehend and interpret the financial statements, whereas the Chairperson of the Audit Committee should have relevant qualifications in the field of accountancy or financial review.
3. If no Audit Committee has been appointed by the Supervisory Board and its tasks are fulfilled by all members of the Board, they are to be led in their efforts by an independent member of the Supervisory Board with qualifications in the area of accountancy or financial review. However, the Chairperson of the Supervisory Board should not perform this role.

### **V. COMPETENCES OF THE AUDIT COMMITTEE MEMBERS**

1. The requirement of holding qualifications in the area of accountancy or financial review is deemed met if a given member of the Supervisory Board has considerable experience in financial management of commercial companies, internal audit or audit of financial statements and, furthermore:
  - a) he or she holds the title of certified auditor or recognised equivalent international certificate; or
  - b) he or she has an academic title in the field of accountancy or financial review; or
  - c) he or she has extensive experience at the post of Chief Financial Officer of listed companies or in acting in the Audit Committee of such companies.
2. Members of the Audit Committee identify their training needs and avail themselves of relevant forms of training for continuous extension of their knowledge on the changing legal regulations of material importance to the company in the area of financial reporting, internal control and risk management.

## **VI. PRINCIPLES FOR WORK AND REMUNERATION OF THE AUDIT COMMITTEE**

1. The company's Articles of Association or the rules and regulations of the Audit Committee shall define, among other things:
  - a) tasks delegated to the Audit Committee;
  - b) its powers (including the necessary access to the company's documents, its Management Board and staff) as necessary for the fulfilment of the Committee's tasks;
  - c) principles of operation (including its communications with the Supervisory Board and shareholders); and
  - d) method of self-assessment of its work by the Audit Committee.
2. The Audit Committee shall draw up a report on its work, including any tasks completed by it, irregularities found and recommendations issued by it, to be published in the company's annual report.
3. The Audit Committee shall submit its operating budget to the Supervisory Board for its approval, to secure funds sufficient to complete the tasks assigned to it, including the purchase of expert services in the field of law, financial reporting and control.
4. Remuneration of the Audit Committee's members should reflect their competences and time commitment regarding the fulfilment of tasks assigned by the Supervisory Board, and should not include any conditional or incentive components (i.e., it should not be linked to, for instance, the company's financial performance).
5. There are no impediments for the remuneration of the Audit Committee's members to exceed the remuneration of other members of the Supervisory Board. Remuneration of the Chairperson of the Audit Committee should be at least equal to the remuneration of the Chairperson of the Supervisory Board.

## VII. MEETINGS OF THE AUDIT COMMITTEE

1. Meetings of the Audit Committee are to be held with the frequency necessary considering its tasks, however, at least once prior to each publication of financial results and reports.
2. The Audit Committee shall determine the schedule of its meetings and the list of important issues for discussion. The Management Board shall provide the members of the Audit Committee with materials in reasonable advance.
3. The Audit Committee may invite the Management Board or other persons to participate in its meetings, also meeting them in the absence of any members of the Management Board or superiors.
4. The Audit Committee shall take minutes of each meeting, with recommendations, and forward them to the Supervisory Board.
5. The Audit Committee shall meet alone, at least once a year, with the Chief Financial Officer, the certified external auditor and the head of internal audit in order to discuss any matters deemed confidential by the parties.

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Za stworzenie angielskiej wersji „Dobrych Praktyk Komitetów Audytu w Polsce”, zawierającej specjalistyczną terminologię obowiązującą spółki publiczne, odpowiada GET IT . **Tłumaczenie wykonała Monika Kępska, ekspert GET IT**, od roku 2005 związana z Biurem Zarządu BRE Banku. Jako szef wewnętrznego Zespołu Tłumaczy, wdrożyła w Banku inicjatywy związane z uporządkowaniem stosowanej w tej instytucji terminologii w języku angielskim, przy użyciu narzędzi dostarczonych przez GET IT. Niespójna terminologia jest jedną z przyczyn nieefektywnej komunikacji, która z kolei stanowi dla firm źródło zbędnych kosztów. GET IT buduje systemy zarządzania specjalistyczną terminologią, dzięki którym poprawia się skuteczność komunikacji, a przedsiębiorstwa generują wymierne oszczędności. Więcej informacji na temat systemów zarządzania terminologią w firmach udziela: [barbara.liszewska@getit.pl](mailto:barbara.liszewska@getit.pl). [www.getit.pl](http://www.getit.pl), tel. +48 22 327 65 65