

GOVERNMENT OF THE REPUBLIC OF TRINIDAD &
TOBAGO

MINISTRY OF FINANCE & THE ECONOMY

FEATURE ADDRESS

FOR

SENATOR THE HONOURABLE LARRY HOWAI
Minister of Finance & the Economy

Caribbean Association of Audit Committee Members
Inc. (CAACM)

*“Revitalizing the Audit Committee: A Strategic
Priority in an Uncertain Economic Environment”*

Thursday July 10th 2014

Thank you Mr. Chairman.

- Mr. Austen Gittens

Chairman of the Caribbean Association of Audit

Committee Members and Directors of CAACM

- Members of the Board of the Caribbean

Association of Banks

- Members of the Council of The Institute of

Chartered Accountants of Trinidad and Tobago

- Ms. Mary Popo, General Manager of the

Caribbean Association of Banks

- Ms Esther Le Gendre, General Manager of ICATT

- Presenters

- Sponsors

- Participants

- Special Guests
- Members of the Media
- Staff – CAACM and ICATT
- Ladies & Gentlemen
- Specially invited guests
- Ladies and Gentlemen
- Members of the media

Good morning.

I am delighted to be here this morning at the 8th Annual General Meeting and Conference being hosted by the Caribbean Association of Audit Committee Members. I sincerely appreciate the invitation to share some remarks on the revitalization of the Audit Committee, and its strategic relevance going forward as we navigate through uncertain economic conditions globally.

However, first, let me congratulate the management and members of staff of the Caribbean Association of Audit Committee Members (CAACM), the Caribbean Association of Banks, and the Institute of Chartered

Accountants of Trinidad and Tobago (ICATT) for the collaborative effort in organizing and hosting this event. This morning's 8th Annual General Meeting and Conference not only brings together some of the best minds of the region in the auditing profession, but represents a commendable collaborative exercise among key stakeholders in Trinidad and Tobago and the wider Caribbean region.

Ladies and gentlemen, the global economy has definitely stabilized since the onset of the financial crisis, but the economic recovery is too slow, fragile and uneven for comfort. Various uncertainties pose consequential risks going forward which include:

- Unwinding of monetary easing in major developed countries;
- Potential vulnerabilities and weaknesses in emerging-market economies;
- Persistent fragilities in the euro area;
- Unsustainable public debt in developed countries;
- Geopolitical tensions in some parts of the world;
- and
- The potential for extreme weather events and environmental disasters.

These uncertainties add to those vulnerabilities we commonly face in the Caribbean region including narrow and relatively concentrated production and

export bases; fiscal imbalances; limited fiscal space within which to operate; and the ongoing need to mitigate risks against our vulnerability to natural disasters. In our region, output has still not returned to pre-crisis levels, and public debt in most of the islands remains among the highest in the world.

Our policy response to these issues has to be collaborative, and greater international policy coordination is an often cited ingredient to strengthen the recovery, and confront these challenges and uncertainties.

Ladies and gentlemen, the audit committee as you are aware is that committee of the board of directors responsible for oversight of the financial reporting process, selection of the independent auditor, and receipt of both internal and external audit results.

This committee provides assistance to the board of directors to fulfill its corporate governance and supervision mandates pertaining to an entity's financial reporting, internal control system, risk management system and internal and external audit functions.

Although we do not choose the global conditions within which we operate, we do have the benefit of crafting an agenda going forward. Convening as a regional family to implement appropriate policy measures to ensure growth becomes more sustainable, greater employment opportunities are created, and our economies are transformed is ideal. It is in this context that Audit Committees and by extension, the wider auditing profession have pivotal roles to play.

Firstly, given the uncertain economic outlook, audit committees of various companies can play a unique

role in emphasizing risk assessment and risk management, and ensuring that companies plan ahead for any eventuality. Extensive scenario planning and enhanced enterprise risk management activities must therefore be at the forefront.

Deloitte and Touche, in its 8th Global Risk Management Survey, indicates that a robust ERM programme *“is intended to provide an institution with an overall framework and methodology for managing the risks that could prevent it from achieving its business objectives. ERM assists organizations to identify and manage significant risks, and to then*

clarify their risk appetite and risk profile.” It is difficult to ignore the risks that are emerging on every front for business – operational, financial, social, environmental, technical and political. Risk is a natural part of life, and indeed an accepted part of business and financial operations. What is crucial is how we respond to and embrace emerging risks to mitigate negative consequences to our business. How we leverage such risks for growth and advancement is also critical. As their responsibilities continue to evolve, audit committees must continuously review and challenge the risk profile of the business and ensure effective mitigation control systems are instituted.

Next is the extended role of the audit committee. No longer can the role of the audit committee be focused narrowly on financial reporting. In conducting risk management exercises, audit committees can have expanded responsibilities, especially with non-financial issues such as managing reputational risks on social media, legal and regulatory compliance, technology, human resourcing, and people skills. In the face of the challenging economic conditions globally, these areas can provide opportunities which may have previously gone unexploited.

Thirdly, in the aftermath of critical governance failures and diminished trust and confidence from the financial crisis, investors and other key company stakeholders will increasingly rely on audit committees as a critical control mechanism, a quasi “guardian of their interest.” Even though more than half of a decade has passed since the crisis, confidence remains far below pre-crisis levels. Rebuilding confidence is mandatory if the private sector in the region is to grow, be innovative and assist in transforming the region’s economy. As such, in this post-crisis era, stakeholders will be more focused on integrity of financial reporting, debt management, and better quality communication

arrangements so that the audit committee can serve as a go-between with the stakeholders and the board of directors to ensure that their best interests are served.

The fourth noteworthy consideration is the role of the audit committee in assisting with the challenges that will confront executive management in an uncertain economic environment. With increased focus on delivery to ensure companies survive challenging times, audit committees can be instrumental in directing focus on auditing for performance evaluation and success detection. At the micro level,

much continues to be expected from a company's management with less financial resources. This creates a greater need to embrace efficiency and accountability to shareholders and other stakeholders, as part of a wider transparency and financial management framework. Performance auditing and benchmarking can highlight inefficiency, areas which fail to achieve desired results and impact, and waste detection and corporate malfeasance in its nascent stage.

We can therefore ill-afford to overlook the meaningful contributions audit committees can play

since they are a vital forum for open communication between management, internal and external auditors, shareholders and the board of directors, to address risks and ensure that companies conduct business in a proper manner.

We also need to be mindful of the value audit committees can bring to strengthening internal and external audit functions.

Without robust auditing practices, the potential growth and success of the financial services industry are threatened. Thorough internal and external audit functions are instrumental in combating economic and

financial crimes which consist of a broad range of illegal activities, including fraud, tax evasion, money laundering, illegal capital flight and smuggling. Economic and financial crimes create significant risks for the individual, and wider community, and can have negative cross border effects and reputational risks for prominent institutions and for our region's image. Additionally, rapid advancements in technology offer new avenues for these crimes to be facilitated, and new auditing arrangements require auditors to be proactive in the detection and reporting of economic and financial crimes.

Given the importance of the financial services industry to the ongoing development of the region, as well as the region's track record in the provision of specialist financial services, there is a great need to be relevant with respect to auditing best practices and meeting international standards and regulations. It is for these reasons that the CAACM, ICATT and other professional bodies in the region are vital as we chart our course forward to develop our Caribbean region.

In closing, let me express my best wishes to the CAACM, as you continue your efforts to improve the

investment environment in the Caribbean by increasing the level of confidence of investors in the integrity of financial reporting and investor information. I wish you a successful conference, and I urge participants to embrace this opportunity to strengthen the audit committee function in the region. Your efforts will redound not only to the benefit of your employees, shareholders and customers, but will also help build a stronger private sector in the region.

Ladies and gentlemen, I thank you!

