



# **Optimizing Audit Committees as enablers of Board success**

STRATEGIES FOR  
EFFECTIVE INFLUENCE

**Marta Luaces Calpe**

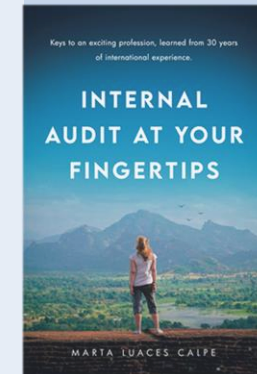
**GLC Europe - Audit Masters  
Rome, May 2025**



## About me



- **Head of Audit of AXA Europe, Latin America & Africa, leading 200 auditors in 20 countries.**
- Member of the AXA Global Leadership Network (GLN).
- Certified Internal Auditor.
- Participation in Audit Committees in Europe, LATAM, Africa, & Asia.
- Conference speaker in Institute of Internal Auditors of Spain, the European Confederation of Institutes of Internal Auditing, and the Global Leading Conferences.
- Publisher of articles & technical auditing guides.
- Writer of the books “La Auditoría Interna a tu alcance”, and “Internal Audit at your fingertips” <https://amzn.eu/d/cBlxXR0>



**Marta Luaces Calpe**  
**Head of Audit AXA Europe,  
Latin America and Africa**

## Some figures



**50**

**AC sessions  
attended  
every year**

**650**

**AC sessions  
attended in  
total**

**30**

**Different  
countries, in 4  
continents**

# Optimizing Audit Committees as enablers of Board success



Stakeholders are placing **greater expectations on the Audit Committee (AC)**, highlighting the **need for competent individuals** who can independently assess management's presentations. A **key objective of the AC is to help the business** operate successfully.

**AC members increasingly rely on CAEs** to provide information on **systemic issues, emerging risks, and risk themes**, enhancing their ability to oversee strategic risk management.

**Internal Audit receives its mandate from the board**, documented in the **internal audit charter**. This mandate enables IA to **provide the board and senior management with objective assurance, advice, insight, and foresight**.



**Which is the biggest challenge of your Audit Committee?**

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# Optimizing Audit Committees as Enablers of Board Success: Strategies for Effective Influence

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# Key Responsibilities of the Audit Committee (Global IA Standards)



## Authorizing the Internal Audit Function (Principle 6)

*The board establishes, approves, and supports the mandate of the IA function.*

- Definition, approval and support of Internal Audit mandate, including the **authority, role, and responsibilities**, in a formal **internal audit charter**.
- Internal audit must **provide** the board and senior management with **objective assurance, advice, insight, and foresight**.
- Granting Internal Audit **unrestricted access to the data, records, information, personnel, and physical properties** to effectively fulfill internal audit mandate.
- Demonstrate support in ensuring appropriate **CAE's reporting line** to fulfill the internal audit mandate.

# Key Responsibilities of the Audit Committee (Global IA Standards)



## Positioned Independently (Principle 7)

*The board establishes and protects the IA function's independence and qualifications.*

- Establish a **direct reporting relationship with the CAE** and Internal Audit.
- Authorize **appointment and removal of the CAE** and provide **input to senior management** to support the **performance evaluation and remuneration**.
- Provide the CAE with **opportunities to discuss** relevant matters **with the Board**.
- Establish and **protect internal audit independence** and objectivity. Require that the CAE is **positioned at the right level** in the organization.
- Approve CAE's roles & responsibilities, and **identify** the necessary **qualifications, experience, and competencies**.
- Engage with senior management to **appoint a CAE with the qualifications and competencies** needed.



# Key Responsibilities of the Audit Committee (Global IA Standards)



## Board oversight (Principle 8)

*The board oversees the internal audit function to ensure the function's effectiveness.*

- **Communication with the CAE** to understand how IA is fulfilling its mandate.
- **Assisting the CAE in determining IA priorities**
- The **CAE must provide the Board with the information needed** to conduct its oversight responsibilities.
- The CAE must evaluate **if IA resources are enough** to fulfill the IA mandate and achieve the IA plan. If not, the CAE must develop a strategy to obtain sufficient resources and inform the board about the impact.
- **Discuss with the CAE the quality assurance** and improvement program
- **Approve the IA performance objectives**, at least annually.
- **Assess the effectiveness and efficiency** of the internal audit function.

# Challenges for today's Audit Committees



**Lack of risk  
prioritization**



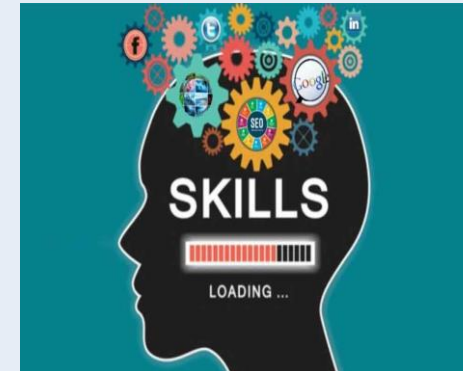
**Skills gaps  
(Tech / AI / ESG)**



**Information  
overload**



**Independence  
from  
Management**



**Global  
complexity**

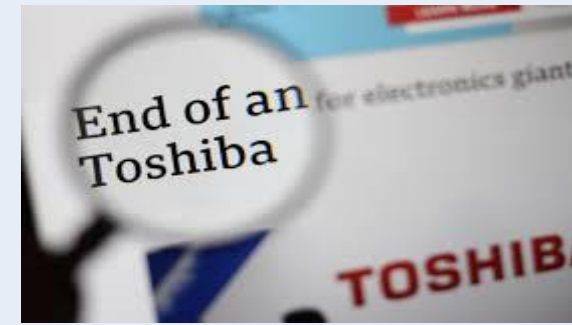
# Cases of Audit Committee Failures



## 1. Enron (2001) — Classic Audit Committee Failure

- **What happened:** Massive fraud hidden off-balance sheet. Enron manipulated energy markets by creating artificial shortages to sell it back at higher prices. The company used complex financial instruments and off-balance-sheet entities to obscure its financial health, undermining trust and accountability.
- **Audit Committee issue:**
  - 1. Blind trust in management;
  - 2. Lack of financial expertise among members;
  - 3. Did not dig into complex transactions.
- **Lesson:** Audit Committees must possess the expertise and diligence to scrutinize complex financial arrangements and courageous enough to challenge.

# Cases of Audit Committee Failures



## 2. Toshiba (Japan, 2015) — Corporate Culture Matters

- **What happened:** Inflated profits by \$1.2 billion. Toshiba executives pressured subordinates to meet unrealistic profit targets. The company delayed booking losses, and inflated profits through aggressive recognition of revenues. Corporate culture where employees felt unable to challenge directives from senior leadership.
- **Audit Committee issue:**
  - 1. Toxic culture: management discouraged questioning;
  - 2. Audit Committee was passive, afraid of losing "face."
- **Lesson:** Committees must insist on transparency and psychological safety.

# Cases of Audit Committee Failures

## 3. Wirecard (Germany, 2020) — International Wake-up Call

- **What happened:** \$2 billion went missing; auditors and regulators were misled for years. leading to insolvency. EY, the external auditor, failed to detect the fraud over several years. Wirecard claimed to do transactions through external partners, in Asia and Middle East, but many of these partners were either non-existent or not conducting the volume of business reported. Wirecard inflated like this revenues and profits artificially.
- **Audit Committee issue:**
  - 1. Over-reliance on external audit
  - 2. Weak internal controls oversight.
  - 3. Failure to act on red flags raised by journalists and short-sellers.
- **Lesson:** Audit Committees must scrutinize third parties and own the risk, not just delegate, and ensure thorough verification of financial statements.





# Internal Audit role in the Audit Committee



## Expanding audit influence

As regulations drive convergence among traditionally siloed functions - finance, audit, compliance, risk, HR, and IT – Internal Audit is **uniquely positioned to coordinate and foster collaboration** across these areas.

Internal audit needs to clearly communicate to the board the scope and focus of its work. Reshaping negative perceptions about internal audit is critical: a CAE has to be **pragmatic, proactive, collaborative, agile, risk-based, educational**.

**Don't focus only in communicating audit issues**, but also in talking about **business optimization and efficiencies**.

# Internal Audit role in the Audit Committee



## Establish Credibility

**CAEs risk losing credibility if box-ticking rather than focus on what matters** to the AC. True influence is evident when AC members really value CAE's insights.

**CAEs must present issues aligned with Board priorities** and **ensure the annual audit plan is risk-based**, addressing threats to corporate strategy.

**Informal meetings also can be a great place to build credibility.**

Organizations **must appoint a CAE with strong boardroom presence**, individuals who can confidently challenge senior leadership and offer clear, constructive guidance. Without the right leadership in the internal audit role, its strategic value is significantly diminished.

# Internal Audit role in the Audit Committee



## Demonstrate value

**CAEs speaking to the full Board?:** many different practices and arrangements can work. In some organizations, all AC members also sit on the full board, making the existing reporting line sufficient.

To build credibility with the board, the **CAE must consistently perform at a high level, innovate, and exceed expectations.** Credibility comes from delivering real value.

**Internal audit's quality assurance review is objective assurance to the Board that the department is effective.** It adds credibility, especially if the CAE is prepared to innovate, to identify areas of improvement in the organization, and to focus on strategic risk areas.

# Internal Audit role in the Audit Committee



## Understand Emerging Technology

Technology is a key area in which internal auditors can and have to innovate. **Emerging technologies are a risk for internal auditors** (if lack of awareness of the topic) **and an opportunity**, because **giving assurance to the Board in such a critical area**, the CAE can **gain credibility**.

## Reshaping the Audit Committee

**Internal audit has evolved beyond its traditional focus on financial controls** to a broader risk landscape. **However, the board often remain centered on financial control & reporting**. When setting the **board agenda**, it's important to consider topics where the **CAE can offer meaningful insight**, particularly on emerging risks and strategic issues.

# Key factors for High-Performing Audit Committees



## INDEPENDENCE

- **Without the presence of executives**, the Audit Committee shall meet with the **external auditors and with the Head of Internal Audit**.
- **Collaborative relationship** with management. **Direct access to teams** and departments, who respond to the audit committee's requests for information.
- **Strong internal audit function** with sufficient capability for the size/complexity of the organization.
- Direct **reporting line of internal audit to the audit committee chair**.

## CLEAR ROLE

- **Explicit objectives and terms of reference of the AC**, subject to regular review





# Key factors for High-Performing Audit Committees



## GOVERNANCE

- **Established by resolution of full board** of the governing body.

## COMPOSITION

- Audit Committee **not too small but with limited number of members.**
- **Senior Executive Management engaged to participate**, including the CEO.

## AVAILABILITY OF MEMBERS & PREPARATION OF MEETINGS

- **Members** with **availability** for the AC meetings
- Detailed analysis of documentation and **preparation of the meetings** in advance.

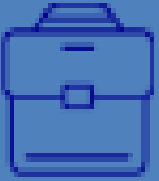


# Key factors for High-Performing Audit Committees



## SKILLS, COMPETENCE & EXPERTISE

- AC composed of **experienced and competent** non-executive directors with high level profiles, to ensure **right understanding and quality added value**.
- **Diversity of expertise and experience:** Financial & specialist skills, industry knowledge, IT, and awareness of local environment.
- **Thorough understanding** of how the business creates value, and the **opportunities and risks**.
- **Access to external specialists** when needed.
- Initial **on boarding** and effective **orientation for new members**.
- **Training, guidance and tools**.



# Key factors for High-Performing Audit Committees



## AGENDA

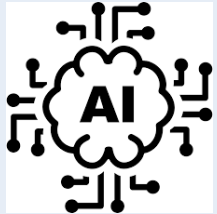
- **Content of the AC agreed in advance. Control of the agenda**, without undue influence from management.
- **Presentations circulated** to relevant parties in timely manner.
- **Meaningful and concise information** from management, with **risk approach**.
- **Dates fixed in advance** to ensure adequate attendance.
- **Appropriate frequency of meetings**: at least 4 times per year.
- **Minutes validated** by the members as soon as possible after the AC.

## AC PERFORMANCE

**Annual self-assessment performed by the members** (and/or feedback from external stakeholders) to ensure appropriate efficiency of meetings.



# Future of Audit Committees



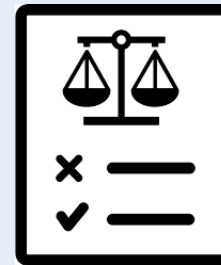
**Artificial Intelligence**



**Cybersecurity**



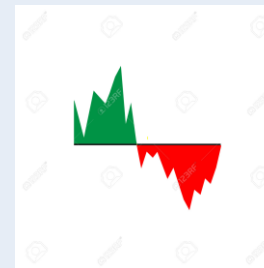
**ESG reporting**



**Regulatory scrutiny**



**Geopolitical risks**



**Financial volatility**

**"Good committees react.**

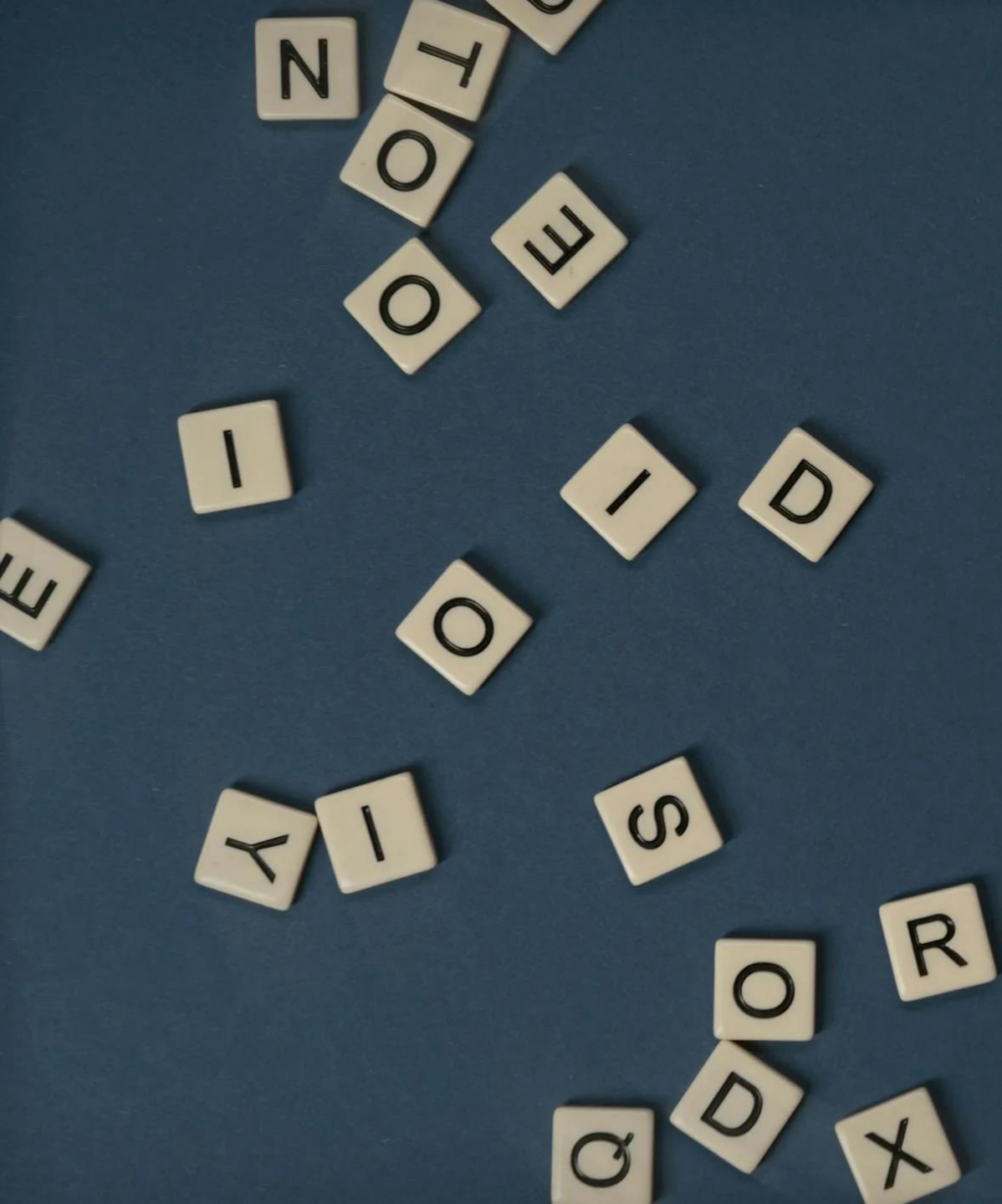
**Great committees anticipate."**







**Q & A**



THANK  
YOU

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