



SAVING THE LAST GREAT PLACES ON EARTH

# TALE OF TWO AUDIT COMMITTEES

(What An Audit Committee Can Do For You)

Presentation for the International  
Workshop on Accountability Challenges

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# About The Nature Conservancy

The Nature Conservancy (TNC) is a leading conservation organization working around the world to protect ecologically important lands and waters for nature and people.

- TNC works in all 50 U.S. states and more than 30 countries.
- TNC has protected more than 117 million acres of land and 5,000 miles of river around the world.
- TNC has about 1 million members and supporters.
- TNC has 3,200 employees, 720 of whom are scientists.
- FY 2006 revenue exceeded US\$1 billion.



# Why The Nature Conservancy is Successful

- We work closely with partners, corporations, indigenous people and traditional communities all over the world.
- We are a science-based organization that achieves tangible results all over the world.
- We continually strive to exercise integrity beyond reproach and to operate openly and transparently as we pursue our mission.
- The Nature Conservancy was rated as the most trusted organization in a recent poll by Harris Interactive<sup>®</sup>, as reported by *The Chronicle of Philanthropy*.



# Washington Post Headlines Exposé of Conservancy

- Invested in shady for-profit businesses
- Engaged in financial transactions with insiders
- Refused to take sides in important environmental issues because of Board affiliations
- Sold conservation land to Board members





## Post Article Prompted:

- Investigation by U.S. Senate
- Internal Revenue Service Audit
- A TNC-wide review of corporate governance
- Costs exceeding US\$10 million (not including costs of employee time)







# Review of Corporate Governance Prompted:

- Reduction in the size of the Board of Directors to 21 members
- Reduction in the number of Board Committees
  - Governance and Nominating
  - Finance
  - Audit
- Increase in number of times Board met
- Recommendations on Committee roles





# The Audit Committee Adopts Sarbanes Oxley

- Whistleblower Policy / Hotline
- Conflicts of Interest
- Documentation of Business Risks
- Audit Committee Financial Experts
- Audit Committee Charter
- External Auditor Partner Rotation
- Limits on External Auditor Services
- Compliance Officer





# Role of the Audit Committee

- Oversees a process that produces reliable financial statements
- Ensures effective internal controls
- Oversees management's responses to risk
- Ensures compliance with laws, regulations, and policies and procedures
- Monitors management, internal audit department, and compliance officer
- Owns the relationship with the external auditor






# Benefits Provided by Audit Committee

- Help reduce risk
- Enhance accountability throughout the organization
- Support changes in accounting practices that have improved financial statements
- Provide internal audit department with candid feedback and support
- Provide proper balance between monitoring and advising





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# The Audit Committee in Global Markets

- International Financial Reporting Standards (IFRS)
- International Accounting Standards Board (IASB)
- Global Accounting Standards
- EU Rules on Audit Committees and Auditing
- EU/U.S. announce Framework for Advancing Transatlantic Economic Integration





# International Audit Committees

- International audit committees operate similarly:
  - Charters
  - Regular meetings
  - Deal with compliance, financial reporting, etc.
  - Risk management oversight one of highest priorities
  - Honest reporting processes
- Differences are legal:
  - Each country has a different structure; different way of electing members.



# Current Issues for International Audit Committees

- Holding executives accountable for stewardship of organization
- Determining credentials of audit committee members
- Interacting with external auditors/internal auditors
- Avoiding complacency

