



Building And Maintaining Great Audit Committee Relationships



Building And Maintaining Great Audit Committee Relationships



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Key Points



- ✓ Evolving role of Audit Committees
- ✓ Developing the Audit Committee Charter
- ✓ Communicating with Audit Committees
- ✓ Partnering with management
- ✓ Helping the Committee effectively carry out responsibilities



FEDEX WORLDWIDE

- Express, Ground, Freight, Kinko's
- 6.5 Million Packages a day
- 220 Countries
- Over 290,000 employees
- 669 Aircraft and over 75,000 Motorized Vehicles
- FY07 Revenue \$35.2 billion

FedEx World Headquarters is in Memphis, Tennessee



FEDEX WORLDWIDE

- Recent Awards include Fortune Magazine's 2008
 - # 7 among "America's Most Admired Companies"
 - # 6 among "World's Most Admired Companies"



FEDEX INTERNAL AUDIT

- **165 Professionals**
- **Memphis, Pittsburgh,
Dallas, Hong Kong,
Brussels**
- **Risk Based Approach**



FEDEX INTERNAL AUDIT

- **Customer Focused**
- **Cover ALL Operating Companies**

Express



Ground



Freight



Kinko's



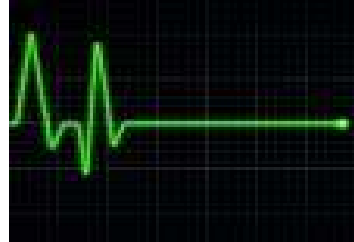
Overview

- Roles and Responsibilities
- Communications and Training
- Developing and Managing Relationships
- Monitoring and Evaluating Risk
- Marketing and selling Internal Audit



Evolving Role Of Audit Committees

- Sarbanes - Oxley
- Renewed scrutiny
- Expanding missions
- Corporate governance



Evolving Role Of Audit Committees

- Monitoring the Financial Reporting Cycle
- Monitoring the Audit Function
- Monitoring Risk Management
- Fraud Risk Assessment
- Setting the right “Tone at the Top”

Audit Committee Responsibilities

- ❖ Financial statements
- ❖ Internal controls
- ❖ Internal Audit
- ❖ External audit
- ❖ Reporting responsibilities
- ❖ Other responsibilities



Audit Committee Charter

- ❖ Statement of purpose
- ❖ Source of authority
- ❖ Composition
- ❖ Terms of appointment, compensation
- ❖ Open communications
- ❖ Clearly defined responsibilities



Financial Reporting Process

- How does the process work?
- Role in overseeing the process
- Quarterly reporting process
- Fraudulent financial reporting
- Questions to ask



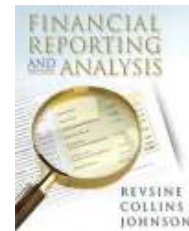
Working With Internal Audit

- Valuable resource to committee members
- Adequacy of Internal Controls System
- Evaluating compliance with policy
- Identifying operating inefficiencies
- Annual independent audit



Working With External Audit

- Selecting independent auditors
- Compliance with auditing standards
- SEC/Financial reporting
- Private meetings



Communications With Audit Committees

- Baseline expectations
- Financial reporting process
- Management's policies
- Assessment of risk
- Internal Audit



Communications With Audit Committees

- Regular meetings
- External audit
- High risk areas
- Training and resources
- Executive sessions



Guiding Principles

- Key role in monitoring management
- Independent communication and information flow
- Candid discussions with management
- Diligent and knowledgeable



Educating The Audit Committee

- ✓ Clear, concise, insightful reports
- ✓ Audit report opinions
- ✓ Follow-ups of high risk areas
- ✓ Status of corrective actions
- ✓ Strategic presentations
- ✓ Risk assessment process



Educating The Audit Committee

- ✓ Audit Committee questionnaire
- ✓ Management presentations
- ✓ Audit Plan communications
- ✓ Executive sessions



Partnering With Management

- ✓ Senior management
- ✓ External Audit management
- ✓ Risk Assessment Discussions
- ✓ Alliance Program



FedEx
Services

Partnering With Management

- ✓ Established “Tone at the Top”
- ✓ Audit Committee Charter
- ✓ Defined role of Internal Audit
- ✓ Independence – Oversight role
- ✓ Understanding of business risks
- ✓ Open communications



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Services

Effective Audit Committees

- ✓ Adequately trained
- ✓ Fully informed
- ✓ Independent
- ✓ Periodic self-assessment
- ✓ Annual report to shareholders
- ✓ Corporate governance



Corporate Governance

- Defined Board purpose
- Responsibility clearly defined
- Independence
- Expertise



Corporate Governance

- ERM
- Leadership
- Disclosures
- Internal Audit



Enterprise Risk Management

- More comprehensive and formal approaches
- Continuous Risk Assessment
- Scorecards/Tools
- Chief Risk Officer
- Fraud Risk Assessment



Internal Audit Assistance

- Evaluate the control environment
- Identification of key risks
- Effectively monitor risks
- Focus on issue resolutions
- Keeping abreast of new challenges



Marketing and Selling Internal Audit

- Audit Committee Presentations
- Printed Material
- Upward Communications
- Use Audit Plan and Reports as Sales Tools
- Maintaining Visibility
- Senior Management Presentations



Audit Committee Effectiveness

- Baseline expectations
- Enabling superior judgment
- Expanding the risk field of vision



SETTING THE
RIGHT

**TONE
AT
THE
TOP**

**AUDIT
COMMITTEE**

COMMUNICATIONS

EDUCATION

AUDIT COMMITTEE
CHARTER



Summary

An active and informed Audit Committee provides the ultimate independent and objective oversight of the corporate control environment, including focus on emerging trends and risks. An effective Internal Audit function is the primary agent of the Audit Committee within the company.
