



Chairing an audit committee

Audit Committee Questions

Audit Committee Institute part of
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Audit Committee effectiveness hinges on the chair's effectiveness. A successful audit committee chair should understand the importance of relationships with management, the auditors and others.

Getting the 'right' members and getting them up to speed

Audit committee relationships

Solid ground rules for meetings

Getting the right information to the committee

Audit committee oversight essentials ...

The effectiveness of the audit committee hinges on the chair's effectiveness, which in its turn relies heavily on the chair's personal attributes. Strong personal skills are crucial to being able to build and maintain an effective working environment.

A key requirement of the ability of the audit committee to exercise constructive top down pressure that supports professionalism throughout the organisation lies with the chair's authority in handling the audit committee's agenda and how it communicates to management and the board. The chair should be recognised for his or her leadership and vision, and be perceived by other committee members and management as able to set and manage the audit committee's agenda. The chair should be acknowledged as having the personal courage to raise and deal with tough issues and to support other members to do the same.

Formal meetings of the audit committee are at the heart of the chair's work. However, the chair's points of contact within the organisation should go far beyond the board room. The audit committee chair, as well as

the other audit committee members, need to keep in touch with key audit committee stakeholders, such as the board chair, the CEO and CFO, internal and external auditors. In many organisations, the audit committee chair meets regularly with each of these individuals as part of the process of developing the meeting agenda and preparing for each meeting. The audit committee chair is responsible for fostering these relationships to ensure that the audit committee can perform its role effectively.

The audit committee chair also has an important role to play in ensuring that that the mix of committee members – their background, experience and skills – are right commensurate on the complexity and the risk profile of the organisation. The audit committee chair should oversee the professional development of the members, and also ensure that they have the right information to perform their roles. The chair is not responsible for doing all the work: he or she should identify who on the committee is best placed to perform different roles and then recognise their contribution.

Some characteristics of an effective audit committee chair ...

- An independent and proactive leader with confidence and integrity
- A highly respected and experienced board member, who possesses strong financial literacy skills
- A person with an excellent working knowledge of audit committee practices and risk management frameworks
- A good listener and communicator who can facilitate successfully
- A champion of open and frank discussion with discipline
- A tenacious person that is prepared to ask the tough questions
- A person who has the time available to develop and closely monitor the committee agenda

Key questions for audit committees to consider:

Getting the 'right' members

- Are the skills, knowledge and experience of the committee members appropriately diverse and up to the task? Have you also thought about 'soft skills'?
- Is the professional development plan for each committee member up to date and fit for purpose?
- Does the committee have appropriate access to outside experts and other specialists?
- Are appropriate succession plans in place for the chair and committee members?

Solid ground rules for meetings

- Is adequate time spent planning the style and content of audit committee conversations ahead of time?
- Do meetings provide sufficient time for both 'hard' and 'soft' subjects, for decision and reflection; introspection and evaluation?
- Does the audit committee have time for both the routine business but also for special business or matters raised by committee members?
- Do conversations have 'clarity of purpose' and are they kept to the point? Are disagreements only voiced by making constructive suggestions
- How can you ensure that all audit committee members contribute, and relevant to their strengths?

Audit committee relationships

- Are informal meetings or other forms of dialogue with management, auditors and advisors leveraged to the fullest extent in order to build and maintain empathy?
- Does the committee sufficiently engage in meetings in the business to deepen its understanding of issues and provide context for committee meetings?
- Are you comfortable with the extent that members of management attend and present at committee meetings?
- How do you ensure the level below management is appropriately engaged with the committee?
- Are you comfortable that the committee understands investor views on management, the organisation and the sector?

Getting the right information

- What information is provided to committee members in advance of meetings? Is there a regular flow of information? Do committee members have sufficient time to absorb the information prior to the meetings?
- Is the information sufficiently balanced to prioritise the key issues, yet give the committee the information they need to make decisions? How are ad-hoc information requests by audit committee members handled?
- Is the committee exposed to the external perspectives it needs?

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