



The audit committee chair



Driving audit committee effectiveness

Board Leadership Centre

KPMG. Make the Difference.

March 2026

Foreword



The importance of the audit committee chair’s leadership in setting the committee’s tone, work style, and agenda is vital to the committee’s effectiveness. In our experience, the most effective audit committee chairs are fully engaged – Recognising that the position may require their attention at any time, and often beyond the regular meeting schedule. They really get the culture of the organisation; they set clear expectations for committee members; they understand, and hold to account, both management and auditors; and they ensure that the right resources are being employed to support quality risk management, internal control, and corporate reporting.

To provide effective leadership, the audit committee chair must have a clear understanding of the committee’s duties and responsibilities; be able to commit the necessary time (which will vary depending on the size, complexity and circumstances of the business); be readily available on urgent matters and in times of crisis; and have the requisite business, financial, communication, and leadership skills.

All the quotations in the body of this paper have been shared by some of the most important people we work with – audit committee members themselves.



Audit committee effectiveness hinges on the effectiveness of the chair. They should be recognised for their leadership and vision, and have the personal courage to raise and deal with tough issues and support other committee members to do the same.

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Driving audit committee effectiveness



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1. Setting the agenda

The audit committee chair plays a critical role in focussing the agenda on the important issues: quality financial accounting, corporate reporting and effective internal controls.

The committee's rolling 12 to 24 months agenda should align with the role and responsibilities set out in the committee's terms of reference or mandate while also allowing enough flexibility to address emerging issues as they arise.

“ It is essential that the audit committee has control of its own agenda and isn't 'managed' by the executive team.

In preparing the agenda, many audit committee chairs:

- Start with the priority topics then add the routine and required checklist items (not vice versa).
- Encourage members of the audit committee to provide input on the agenda.
- Solicit input on the agenda from the CFO, Head of Internal Audit, Company Secretary and others as appropriate.
- Audit committee chairs often set aside “white space” at the beginning of each meeting for the committee members to have one last look at the agenda (including time allocated to each agenda item) after they have had the opportunity to review the pre-meeting materials.

Many audit committee chairs also set aside time at each meeting for the audit committee to take a deep dive into an important area of risk or accounting policy, judgement or estimate.

Audit committee chairs should also request a summary of the company's key accounting judgements and estimates at least annually.

“ Get a deep dive into the key risks or operations, but make sure that you hear directly from the person actually responsible for the specifics, not just the CEO and CFO.

“Mission creep” is an important issue for audit committees. A key role for the audit committee chair is to ensure that the audit committee does not take on too much responsibility beyond its core responsibilities and that committee members' skills and experience align with the committee's responsibilities.

“ Be mindful of increasing the committee's workload and don't accept responsibilities that rightfully reside with the board as a whole or that cannot be reasonably achieved.

The audit committee chair also may need to discuss with the chair of the board and chair of the nomination/governance committee the possibility of relocating certain oversight responsibilities to another committee, a new committee or to the board itself.

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2. Making the most out of audit committee meetings

The audit committee chair plays an important role in ensuring both the quality and timeliness of pre-meeting materials. For the committee to make the most effective use of its time together, all committee members should receive and review materials prior to the meeting – And make requests for any necessary additional information in advance – So that members can devote more meeting time to discussion.

“ It’s important to make time for both ‘hard’ and ‘soft’ subjects, for decision and reflection, and for introspection and evaluation.

- Copies of all presentations to be made at the audit committee meeting should be included in pre-meeting materials. The audit committee chair should balance presentation time (and the use of PowerPoint) with time for reasoned discussion and debate.
- Most audit committee chairs specifically ask management to assume that all audit committee members have read all pre-meeting materials.
- An important role for the audit committee chair is to work with management to ensure the usefulness (reliability and clarity) of information received by the audit committee – Including pre-meeting materials, materials presented at the audit committee meeting, and other materials made available to the audit committee on a less formal basis.

- Having the CEO attend audit committee meetings places emphasis on management’s accountability and can act as a catalyst for action.
- The audit committee chair should also consider the question of information asymmetry. Does all the committee’s information come from management? What third-party sources might corroborate or enhance existing information flows?

Many audit committee chairs conclude each audit committee meeting with an executive session so that audit committee members have an opportunity to discuss important matters privately without management present.

Most audit committees will also hold private sessions with the Head of Internal Audit and the External Audit Partner to discuss issues such as management’s attitude towards corporate reporting and control, resources and relationships.

“ The audit committee papers must be clear and easily understood. They should specify whether they are for discussion, information or decision and set out any options and the merits and disadvantages of each, together with any recommendations.

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3. Aligning oversight activity with the board and other committees

In recent years, we have seen a number of changes in how boards – Through their committee structures – Oversee risk. One major change is a general recognition that risk oversight is a responsibility of the full board – Not the responsibility of any single committee, such as the audit committee.

A second change is the emphasis on ensuring that risk oversight activities are appropriately allocated and coordinated among the board's committees thus reducing the burden on the audit committee. This might call for an additional board committee(s) such as a technology, CSR, compliance, or (for the financial sector) risk committee.

To balance the workload, we see boards assigning specific risks to these committees (e.g., cyber risks to the technology committee). As a result, audit committee chairs are playing an increasingly important role in ensuring that the risk oversight activities of the board and other board committees are properly coordinated with the audit committee and that the audit committee has the necessary skill sets.

“ The board and committees need absolute clarity as to their respective roles and responsibilities.

Audit committee chairs work with the nomination and/or governance committee chairs to ensure that:

- The risk oversight responsibilities of the full board and its committees are clear.
- Risk communications among the board and standing committees are robust.
- Risk oversight processes are keeping pace with the increasingly volatile and disruptive business risk environment.

Possible approaches to improve coordination and reduce the risk of a balkanised board/committee structure include:

- Overlapping committee memberships – Many audit committee chairs recommend that at least one member of the committee serve on the remuneration committee and other key committees (e.g., risk, technology, etc.)
- More robust committee reports to the full board.
- Education for all board members regarding the key risks facing the organisation.

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4. Ensuring the right composition and dynamics

The audit committee chair should ensure the audit committee includes the right mix of skills (both hard and soft), experience and personal attributes pertinent to the business in which the company operates.

“ Audit committees should be big enough to benefit from the diverse skills, experience and perspectives of a number of different individuals, but not so big as to make the conduct of the committee’s business unwieldy.

Qualities to look for in audit committee members include independence, integrity, collegiality (but not an excuse for group think), trustworthiness, sound judgement and professional scepticism, including a willingness to probe and ask tough questions.

- Do we have an appropriate mix of skills and experience: recent and relevant financial experience, sector experience and global perspective?
- Are members truly independent of management? This is a cornerstone of audit committee effectiveness, particularly when overseeing areas where judgements and estimates are significant.
- What other skills are necessary for the committee to fulfil its remit? Risk management, cyber security, technology and innovation, etc.?

The audit committee chair should also consider the dynamics around the committee table. How do audit committee members interact with each other, with the chair, and with the board, management and auditors.

The chair should also ensure appropriate rotation of audit committee members. This can provide a practical way to refresh and introduce new perspectives to audit committee processes. Rotation also creates the opportunity for more members of the board to gain a greater and first-hand understanding of the important issues dealt with by the audit committee, thus contributing to greater understanding on the board.

“ Listening is the pre-requisite to balanced analysis, judgement and challenge, but is often given too little time in our pressured and regulated schedules.

The audit committee chair should work closely with the chair of the nomination/governance committee to assess:

- The working and communication styles of individual members.
- The committee’s effectiveness in working together.

UK Corporate Governance Code

The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two.⁸ The chair of the board should not be a member. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates.

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5. Providing leadership

To be effective the audit committee chair should demonstrate strong leadership by:

- Setting the tone: dedicated, informed, probing, and independent.
- Being able and willing to hold management to account where necessary.
- Keeping the committee focussed on what is important.
- Making sure the audit committee has the ‘access to information’, resources, and support to do its job.
- Periodically reviewing the audit committee’s terms of reference and capabilities, and pushing back when too much has been added to the audit committee’s plate.
- Ensuring that all audit committee members are engaged.
- Ensuring the audit committee is exposed to broad external perspectives.
- Promoting communications – Both formal and informal – Among audit committee members.
- Spending time between meetings working with management and auditors to ensure that all relevant issues are identified and addressed by the committee.
- Engaging with members on a one-to-on basis, and collectively, with a view to honestly and constructively evaluating performance and driving committee effectiveness.

The characteristics of an effective audit committee chair might include being:

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

“ The audit committee chair should ensure everyone understands their responsibilities and feels able to raise issues they believe are important. Without the right degree of openness, an audit committee can quickly become blinkered to the financial, operational and strategic risks within a business.

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6. Emphasising continuous improvement

Audit committee chairs recognise that audit committee effectiveness is an evolving process that requires staying abreast of both boardroom dynamics and fast changing business developments so that the committee has the knowledge and skill needed to evaluate the information it receives and on which it is basing its recommendations.

“The people that need to be happy with the audit committee’s work are the other board members who are not part of the committee. They need to have confidence that their delegation of board responsibilities was handled thoroughly and effectively.”

- The audit committee chair should consider the need for focused education and development programmes on company specific issues to help keep the committee’s skills sharp, whether through external training or events, or presentations by subject matter experts during committee meetings.
- The audit committee chair should seek to assess whether the audit committee is performing effectively and, if appropriate, improving.
- The audit committee’s self-assessment process is critical to its continuous improvement. An effective evaluation process begins with a process designed to facilitate an honest, constructive, and insightful assessment of the strengths, weaknesses and gaps that leads to meaningful follow-up and action. Evaluations may be performed in a variety of ways and there is no one ‘right’ way to do them. The UK corporate Governance Code recommends that committee evaluations be conducted on an annual basis and be subject to external facilitation at least every three years.

- The chair of the board can help address performance issues at the committee and individual director level though most audit committee chairs would look to assume ownership of the evaluation process. Possible considerations include:
 - Decide on the purpose and scope of the evaluation. What do we want to accomplish?
 - Bring appropriate rigour to the process. What areas do we need to focus on, such as key audit committee oversight processes?
 - How can we receive valid feedback? How can we act on the feedback to make a difference?

“A good committee assessment is about getting honest feedback from all sides, and then turning that feedback into actionable behaviours.”

Involve the necessary resources up front.

- Where can we find necessary expertise internally and externally?
- Who should process, analyse and provide feedback to the audit committee?
- Integrate/coordinate the audit committee assessment with those of the board and other board committees.

“We meet, just as a committee, at the end of each meeting to reflect on the meeting.”

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7. Understanding the business and its inherent risks

A key role for the audit committee chair is to ensure that all committee members understand the critical risks to the business – Risks to its strategy, its business model or its survival.

To that end, audit committee chairs:

- Emphasise the importance of spending informal time with key people in finance, risk, operations and audit.
- Encourage the committee to get out and “kick the tyres” – Visiting different company locations, meeting local employees and the local audit teams. The goal is to obtain a better understanding of the issues facing the business, including the problems and concerns of employees and other stakeholders; as well as the tone and culture within the organisation.
- Meet with the leaders of the various lines of business in an effort to understand their strategies and the associated risks.
- Insist that the committee is kept apprised of emerging and ongoing regulatory and compliance issues.

“ Between meetings it’s good to sit down with the key people in their ‘natural habitat’, without an agenda. Visit them in their office and have a conversation about things on their radar.

Many audit committee chairs are taking deeper dives into culture and behavioural risks. To that end, audit committees are probing HR for cultural and behavioural data (employee surveys, turnover rates, exit interviews, etc.) beyond what has historically been provided regarding ethics, compliance and whistle-blower complaints.

“ Ask unconventional people questions about audit committee related matters.

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8. Supporting the CFO

Understand that the role of the CFO has become much more complicated, challenging and demanding in recent years; and that a critical role for the audit committee chair is to support the CFO and develop trust ahead of any crisis.

“ Understand the line between oversight and management. Effective oversight is difficult to achieve if management views the audit committee as a corporate governance burden.

Audit committee chairs can support CFOs by:

- Developing a strong, professional healthy relationship with the CFO; spend (informal) time with the CFO.
- Focusing on between-meeting developments. Helping maintain focus on the long-term financial performance rather than short-term earnings targets.
- Helping inject objectivity into the company's financial disclosures.
- Helping facilitate effective shareholder communications:
 - Major institutional investors continue to emphasise the importance of environmental, social, and governance (ESG) issues (ranging from climate change to diversity) to corporate value creation and sustainability.
 - Help shape the company's key ESG messages to investors and other stakeholders in the context of strategy and long-term value creation.

- Helping ensure that the CFO has adequate resources and bench-strength across the finance function:
 - A high-performance finance function is key to success.
 - Budget and headcount should increase as CFO responsibilities increase.
 - Focus on hiring, training and developing talent including succession planning for all key positions.

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9. Driving the integrity of corporate reporting

Audit committees are generally responsible for monitoring, on behalf of the board, the integrity of financial reporting and the probity of the process surrounding the publication of corporate reporting more generally.

Audit committee chairs should ensure the committee gives due consideration to the both the robustness of the relevant systems and processes supporting corporate reporting and whether any assurance received is sufficient.

The audit committee chair should also ensure the committee understands the context of any corporate reporting, management's responsibilities and any pressure they may face – Whether that be unrealistic market expectations; financial targets; or remuneration incentives. The audit committee should recognise when these conditions are present and where necessary receive what they hear with professional scepticism.

“ Be aware of any factors that might lead to aggressive or even inappropriate earnings management and exercise professional scepticism at all times.

With respect to the financial statements, the audit committee chair should also ensure the committee is giving proper consideration to:

- Critical accounting policies, judgements and estimates.
- Unusual and complex transactions.
- Completeness, clarity and transparency.

“ Recognise that the company's greatest financial reporting risks are often in those areas where management has to make difficult judgements and estimates.

It is not always appropriate for the audit committee (or the board) to review all corporate reporting, but management should have a process in place to ensure the relevance and probity of such information; and audit committees have a role to play in ensuring such processes are fit for purpose and working as intended. Audit committees (and boards) also have a role to play in ensuring the tone of reported information is appropriate. In such circumstances, the audit committee would want to ensure the committee is focussed on the narrative reporting (as well as the numbers) and the processes supporting the preparation of that information.

Audit committees might also want to consider the assurance asymmetry between the financial statements and the rest of the annual report. Get a full picture of the assurance the committee both desires and receives; and use the Audit and Assurance Policy to articulate the company's approach to assuring the quality of the information it reports to shareholders beyond that contained in the financial statements.

“ Think about providing a fuller picture not only of the company's recent performance, but also where it is headed, the key risks it faces and how those risks are both mitigated and factored into the group's resilience statement.

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10. Oversight of external audit

Effective oversight over the appointment of the external auditor and the effectiveness of the audit process is a core responsibility.

The audit committee has primary responsibility for the appointment of the auditor. This includes negotiating the fee and scope of the audit, initiating a tender process, influencing the appointment of an engagement partner and making formal recommendations to the board on the appointment, reappointment and removal of the external auditor.

Specifically, the choice of auditor should prioritise audit quality (including independence, challenge and technical competence) over price and perceived cultural fit.

“ Look for an auditor with nose and backbone. A good auditor is constructive but critical.

An important responsibility of the audit committee chair is to ensure the audit committee devotes sufficient time and consideration to:

- Assessing the qualifications, expertise, resources and independence of the external auditors; and the effectiveness of the audit process – Including the extent of challenge and professional scepticism provided by the auditor.
- Understanding the capacity constraints within the audit profession and thinking ahead if an audit tender is due or planned – Getting the ‘right’ auditor may be more difficult than expected.
- Where appropriate, engaging with shareholders on the scope of the audit and the wider assurance policy.

- Assessing the independence and objectivity of the external auditor, taking into consideration relevant law, regulation, Ethical Standards and other professional requirements.
- Developing and implementing a policy on the engagement of the external auditor to supply non-audit services. The committee’s objective should be to ensure that the provision of such services does not impair the auditor’s independence or objectivity.
- Ensuring that appropriate plans are in place for the audit – Including whether the overall work plan, including planned levels of materiality and proposed resources to execute the audit plan, appear consistent with the scope of the audit engagement.
- Ensuring that the audit is directed at the most significant areas where there is an increased need for scepticism and challenge.
- Reviewing any regulatory inspection findings.
- Reporting to the board on how it has discharged its responsibilities with respect to the external audit.

“ To better understand the audit approach, ask to attend the auditor’s planning session or initiate a workshop session with the full audit team prior to settling on the audit plan.

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10. Oversight of external audit (cont.)

Management, including the Chief Financial Officer and finance function, also have a role to play in ensuring a high-quality audit. The audit committee chair should ensure that the audit committee devotes sufficient time and consideration to:

- Ensuring management provides quality and timely information to the auditor during an audit.
- Ensuring management are open to challenge during the audit and respond promptly to queries and information requests.
- Reviewing and monitoring management's responsiveness to the external auditor's findings and recommendations.

“ You want auditors that talk candidly about difficult or sensitive issues. It may not be comfortable for the executive team but it's essential to have this kind of dialogue.

The audit committee chair should also ensure the audit committee carries out a robust assessment of the effectiveness of the audit process – Including consideration of mind-set and culture; skills, character and knowledge; quality control; and judgement. The following approaches may be suitable:

- Evidence of where the auditor has challenged management and the result of that challenge.

- How the auditor has responded to previous assessments of audit quality and whether any concerns have been addressed satisfactorily.
- The auditor's own assessments of the quality of the audit, and its quality assurance systems more broadly.
- Engagement level Audit Quality Indicators (agreed with the audit committee) against which the auditor reports on a regular basis.
- The auditor's response to any regulatory findings and any action it plans to take in response.
- Surveys of those management teams and individuals subject to audit.
- Feedback from external sources including investors.

“ Formal evaluations are conducted annually, but in reality, auditor assessment is an ongoing process.

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11. Oversight over the internal audit function

Audit committee chairs also play an important role in clarifying the role of internal audit:

- Do the audit committee, CEO and others have a shared vision as to the role of the internal audit function? What objective assurance does the board require? What other roles could the internal audit function fulfil?
- The responsibilities of internal audit may be broader than financial audits and include operational audits and culture audits; as well as involvement in risk management and legal/regulatory compliance.

“ Internal audit are the eyes and ears of the audit committee. Without such a function the audit committee is blind.

The audit committee should:

- Review and approve the internal audit function's role and mandate; approve the annual internal audit plan; and monitor and review the effectiveness of its work.
- Ensure that the internal audit plan is aligned to the key risks of the business and pay particular attention to the areas in which work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and oversee these relationships to ensure they are coordinated and operating effectively.

- Ensure that the function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate.
- Approve the appointment or termination of appointment of the head of internal audit and ensure that internal audit has access to the audit committee and a reporting line which enables it to be independent of the executive and so able to exercise independent judgement.

“ A constructive relationship with the Head of Internal Audit is crucial. They need to be able to talk freely to you about any issue they feel uncomfortable about.

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12. Assessing the tone at the top and throughout the organisation

As boards increase their focus on the company’s culture and values, commitment to integrity, legal compliance and brand reputation, audit committee chairs are encouraging their committees to take a harder look at the “capital R risks” – Tone at the top, culture and incentives – All of which are critical to the integrity of the financial reporting process.

“ Get below the top layer and into the bowels of the company. Build yourself a network of people you can rely on to feed you information from outside the norm on what’s happening, why it’s happening and the underlying culture.

- Take a fresh look at the effectiveness of the company’s whistleblower programme. Does the audit committee see all whistleblower complaints? If not, what is the process to filter complaints that are ultimately reported to the audit committee?
- Ask both internal and external auditors for their thoughts on the culture within the organisation.

“ Consider the “tone at the top” and how management responds to control failures and inappropriate behaviour. Encourage the development of an appropriate tone by having ‘control’ as a standing item at each meeting.

Areas of focus include:

- Observe how management gets things done and interacts with one another. Are information flows open or overly controlled?
- Take a close look at incentive plans and the risk-taking behaviours they may encourage.
- Help ensure that the company’s compliance and monitoring programmes are up to date, cover the whole supply chain, and clearly communicate the company’s expectations for high ethical standards.

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The KPMG board leadership centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

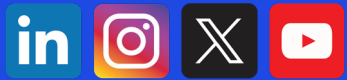
Learn more at <https://kpmg.com/uk/en/blc.html>.

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