

Audit Committee Effectiveness Survey

"Audit committees can demonstrate their leadership, their commitment to good corporate governance and accountability to stakeholders by conducting an independent review of their effectiveness."

Why conduct an Audit Committee Effectiveness Survey?

With the Global Financial Crisis and the increasing call for improved corporate governance and board accountability, right now is one of the most important times to carry out a world class Audit Committee Effectiveness Survey.

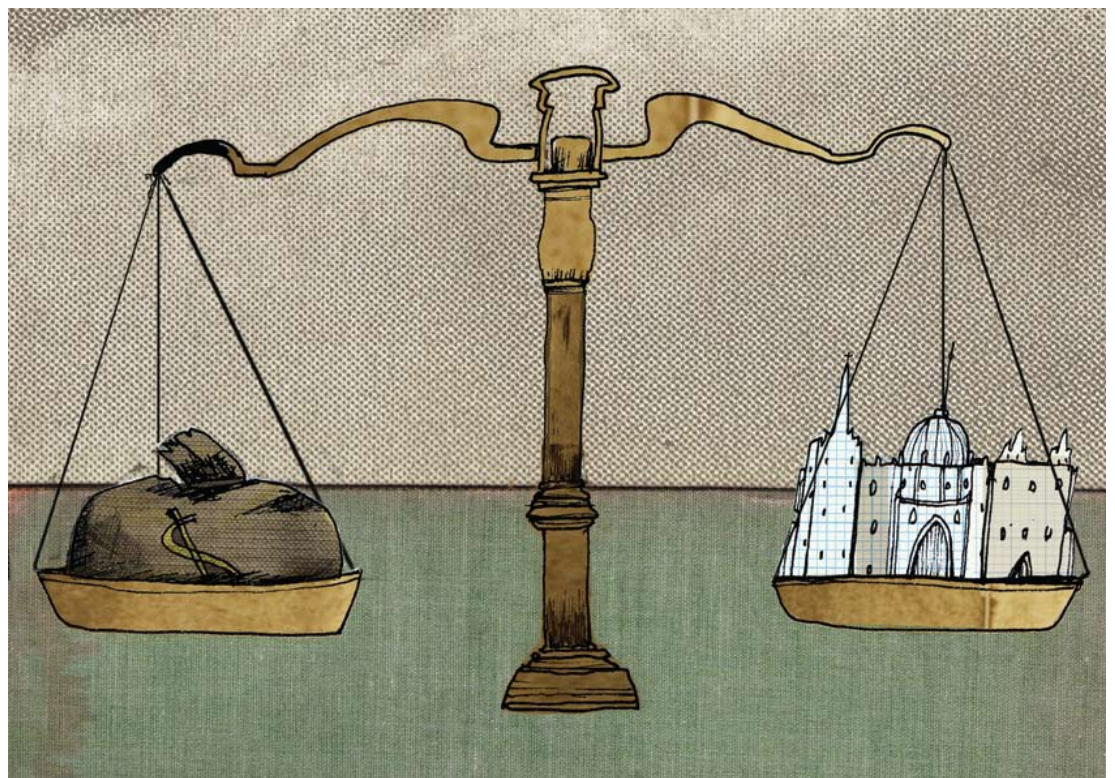
Audit committees can demonstrate their leadership, their commitment to good corporate governance and accountability to stakeholders by conducting an independent review of their effectiveness.

Most people understand the importance and benefits of a regular medical check up to identify any risks to their health and to determine whether their bodies are functioning to their optimal capacity.

In a similar way, Boards Insync recommends the regular use of its Audit Committee Effectiveness Survey to determine any risks to the "health" of the Committee and the extent to which it is functioning to its optimal capacity.

Most audit committees are responsible for overseeing risk management, internal controls and compliance, financial reporting and the internal and external audit function.

All of these are very important areas of oversight in most medium and large organisations and many boards rely heavily on the input and expertise of their audit committee accordingly.





“ ... a very useful, cost effective way to quickly highlight possible issues of concern and ... ”

It is important both for board members on the audit committee and also for those not on the audit committee that a thorough review of the committee's effectiveness is carried out on a regular basis.

The Audit Committee Effectiveness Survey benchmarks the effectiveness of audit committees against comparable organisations, whether they be public or private companies, government or not-for-profit entities.

An audit committee review can be done by using the Audit Committee Effectiveness Survey, either separately or in conjunction with committee member and management interviews, reviews of committee charters, agendas, committee papers, minutes and the like by experienced board and audit specialists.

The comprehensive report that is prepared following completion of the survey is designed to measure the current extent of effectiveness and to highlight improvement initiatives.

A sample of the comprehensive report is included on our website.

Main benefits of the Audit Committee Effectiveness Survey

The purpose of the Audit Committee Effectiveness Survey is to identify actions that can be taken to improve the effectiveness of an audit committee's oversight in relation to risk management, internal controls and compliance, financial reporting and internal and external audit.

Issues of the audit committee's structure, composition, meetings and reporting are also addressed. Committee members are taken through a comprehensive range of issues relevant to their oversight in a structured way.

The benefits of using the online Audit Committee Effectiveness Survey include:

- many issues that may not otherwise be included as part of an audit committee review, are considered
- committee members consider the issues in a consistent way by responding to the same survey statements in the same order and using the same response scale
- committee member views are equally weighted and such views are not biased or impacted by the view or emotions of other members or consultants
- committee members are able to balance their consideration of each issue against the other issues in a well designed survey that takes less than 30 minutes
- benchmarking the committee's responses against other audit committees enables the prioritisation of issues
- the survey is independently carried out by Boards Insync, which offers anonymity to respondents and encourages candid responses.

This survey is a very useful, cost effective and unobtrusive way to quickly highlight possible issues of concern and issues that may need further attention. The survey does not replace the need to take appropriate action in relation to issues highlighted, nor does it override the need to take other steps to review and improve committee effectiveness.



Comprehensive survey framework

The Audit Committee Effectiveness Survey is based on a comprehensive survey framework of 10 areas that impact an audit committee’s effectiveness.

The survey statements included in the Audit Committee Effectiveness Survey cover 120 distinct matters. The survey statements are designed to be penetrating and to encompass good management and/or good committee practice in relation to audit matters. Committee member written responses to four questions add context and improve the usability of the report.

The survey was designed by Board Benchmarking, an organisation associated with Insync Surveys. It integrates with the Board Effectiveness Survey and is complemented by Boards Insync’s other board surveys. Greater insights are gained by organisations that carry out more than one board survey during the same period.

As with all Boards Insync’s board surveys, the survey framework and the relevant statements can be tailored to meet the requirements and specific circumstances of each client.

The 10 survey framework areas and the main matters addressed in each framework area are shown below.

1. Committee structure and role clarity

*Committee charter
Committee structure
Chair responsibilities
Member independence
Support of board
Extra resources*

2. Committee composition

*Member appointment
Induction
Member qualities
Succession planning
Continuous education
Effectiveness assessed*

3. Leadership, behaviours and dynamics

*Chair leadership
Committee room dynamics
Committee teamwork
Constructive discussions
Not side-tracked
Issue resolution process*

4. Committee meetings and minutes

*Annual work plan
Substantive matters
Documentation
Management influence
Executive sessions
Minutes of meetings*

5. Relationships, information and board reporting

*Oversight role
Management relationships
Information quality
Unrestricted access
Independent advice
Whistleblower*

6. Risk management

*Scope clarity
Risk appetite
Material risks
Culture consistent
Fraud risk
Strategic capability*

7. Internal control and compliance

*Culture of integrity
Internal controls
Compliance framework
Emerging changes
Employee competencies
Non-compliance reporting*

8. Internal audit

*Appropriately resourced
Access to chair
Independence
External audit coordination
Work plan
Comprehensive review*

9. Financial reporting

*Tone at top
Confidence of committee
Accounting policies and treatments
Reporting disclosures
Related parties
CEO/CFO certifications*

10. External audit

*Appointment conditions
Access to chair
Reporting processes audited
Independence from management
Findings followed up
Comprehensive review*

“ ... survey statements are designed to be penetrating and to encompass good management and/or good committee practice in relation to audit matters. ”



About Boards Insync

Boards Insync is the specialist board survey division of Insync Surveys. It has one of the largest suites of integrated board surveys in the world, including Board Effectiveness Surveys, Board Risk Surveys, Audit Committee and Risk Committee Surveys and Director 360 Surveys.

Its world class board surveys are available globally and have been carried out for numerous large public, private, government and not-for-profit organisations.

Visit: www.boardsinsync.com
Contact us: info@boardsinsync.com

About Board Benchmarking

Board Benchmarking has developed two world class benchmarked surveys: a Board Effectiveness Survey and an Audit Committee Effectiveness Survey. Both surveys are available globally and are distributed by KPMG Australia, Boards Insync and others.

Board Benchmarking has carried out over 100 board and audit committee surveys for organisations ranging from large public companies and government organisations to private companies, associations and not-for-profit entities. Board Benchmarking's surveys are powered by integrated benchmarked stakeholder survey specialists, Insync Surveys.

Visit: www.boardbenchmarking.com
Contact us: info@boardbenchmarking.com

About Insync Surveys

Insync Surveys has one of the largest suites of leading edge integrated benchmarked stakeholder surveys in the world. Its surveys are distributed in over 30 countries and in over 15 languages and include surveys for employees, customers, boards, community groups and many other organisation stakeholders.

Insync Surveys has carried out surveys for some of the largest public, private, government and not-for-profit organisations in Asia Pacific. It is based in Australia and has representatives in New Zealand, Asia, UK and North America. Insync Surveys' technology also powers the surveys of Board Benchmarking.

Visit: www.insyncsurveys.com.au
Contact us: info@insyncsurveys.com.au

Melbourne
Level 7
91 William Street
Melbourne
Vic 3000
Australia
Tel. +61 3 9909 9209
Fax. +61 3 9614 4460

Perth
76 Wittenoom Street
East Perth
WA 6004
Australia
Tel. +61 8 6461 6485
Fax. +61 8 6270 4491

Sydney
Level 2
110 Pacific Hwy
North Sydney
NSW 2060
Australia
Tel. +61 2 8081 2000
Fax. +61 2 9955 8929