QAO better practice guide—Key elements of an effective audit committee

The following summarises our insights from our report <u>Effectiveness of audit committees in state government entities (Report 2: 2020–21)</u>, and provides key questions committees can consider. Effective audit committees can catalyse better governance in an entity. They provide insight from their experience and promote accountability, integrity, and transparency. Audit committees need to continually reassess and refine what value they provide and how they provide it.

Leadership

Insight

- An engaged leader is critical to the committee's effectiveness.
- Where practicable—a leader should attend all meetings as an observer.
- An entity's leader should not be the chair or a member.

Fast facts

- 74.5 per cent of audit committee chairs surveyed reported executive management attends all committee meetings as observers.
- 91.8 per cent reported that executive management attend at least half their committee meetings as observers.

What should committees consider?

- Is the CEO appropriately engaged?
- How often does the CEO attend meetings, and in what capacity?
- Does the CEO regularly meet with the audit committee chair and have meaningful conversations?

Continuous improvement Effective audit committees Valuable meetings Right members

Focused role

Insights

 Entities should engage key stakeholders to develop and document the committee's role and responsibilities.

Fast facts

- All committee chairs believe their committee's agenda is consistent with its purpose.
- 51 per cent reported that its committee expanded its scope in the last five years.
- Several audit committee chairs noted that oversight of compliance frameworks could be improved.

What should committees consider?

- Have we tailored our charter?
- Does the charter clearly define our roles and responsibilities?
- Has the committee identified areas of focus?

Right members

Insight

- To guard against perceived conflicts, state government entities should not appoint members who are
 - management
 - employed by the entity
 - employed by another Queensland state government entity.

Fast facts

- 78.2 per cent—departmental audit committees we reviewed are made up of at least half 'internal members'.
- 12 individuals served as a chair or member on 38 audit committees (41 per cent of all audit committees for departments and statutory bodies).

What should committees consider?

- Does your committee have the 'right' members?
- How long have members served on the committee?

Valuable meetings

Insight

 Effective audit committee meetings are more than an acquittal of the information the business presents.

Fast facts

- One quarter of audit committee chairs reported that not all members were sufficiently prepared.
- Some committee members reported spending more than five hours preparing for a meeting, reviewing up to 500 pages of material.

What should committees consider?

- Is the quality and volume of papers for committee meetings appropriate?
- Is the committee talking about the right things?
- Are the right people in the room?

Continuous improvement

Insight

 Most audit committees that perform an annual self-assessment use the example questionnaire in the Queensland Treasury guidelines.

Fast facts

 Of the 74 audit committee chairs surveyed—one in five had not performed a self-assessment in the last 12 months.

What should committees consider?

- Does the committee perform an annual performance assessment?
- Is the performance assessment tailored? Does it measure performance against the annual work plan?

