

# **Audit Committee Guidelines**

## **Improving Accountability and Performance**

**June 2012**

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*This document and related information can be found at [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).*

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# 1. Introduction

## 1.1 Purpose

There is a significant amount of best practice guidance material available for audit committees in both the public and private sectors. The purpose of these guidelines is to combine the best practice principles from the available materials with practical advice from audit committee experts to provide more detailed and practical guidance for audit committee members, accountable officers and other personnel who are involved with audit committees.

## 1.2 Scope and application

The guidelines apply to departments and statutory bodies within the Queensland public sector. Throughout the guidelines the word 'agency' refers to both departments and statutory bodies.

While these guidelines were not written specifically for Government Owned Corporations (GOCs), they may be adopted by a GOC. A GOC is required to comply with the relevant provisions of the *Corporations Act 2001*, *Government Owned Corporations Act 1993* (and subordinate legislation) and other prescribed requirements such as 'Corporate Governance Guidelines for Government Owned Corporations 2009' issued by Queensland Treasury.

## 1.3 Financial and Performance Management Standard

Under section 35(1) of the *Financial and Performance Management Standard 2009* a department must, and a statutory body may, establish an audit committee. If an agency establishes an audit committee, section 35(3) of the *Financial and Performance Management Standard 2009* states that the accountable officer or statutory body must have regard to this document. In order to comply with the requirement to 'have regard to' another document, the accountable officer or statutory body must consider the contents of the document and decide if the contents apply to the agency's circumstances (section 6 *Financial and Performance Management Standard 2009*).

Therefore, while agencies will need to be mindful of the guidelines, circumstances may arise where accountable officers, statutory bodies and audit committee members would use their judgement to determine the appropriate application of the guidelines to their audit committee. The guidelines do reflect best practice for audit committees and include practical tools that will assist audit committee members in carrying out their responsibilities.

In circumstances when the guidelines have been considered, but an alternative approach is adopted, the decision and the rationale should be documented and endorsed by the accountable officer or statutory body.

## 2. Establishment of an Audit Committee

### 2.1 Requirement to have an audit committee

#### ***Financial Accountability Act 2009***

The *Financial Accountability Act 2009* imposes significant responsibilities on accountable officers and statutory bodies, including the duty to manage the agency efficiently, effectively and economically and to establish and maintain appropriate systems of internal control and risk management (section 61).

#### ***Financial and Performance Management Standard 2009***

Section 35 of the *Financial and Performance Management Standard 2009* provides that each accountable officer of a department must, and each statutory body may, establish an audit committee for the agency.

Many larger statutory bodies are of sufficient complexity to warrant establishing and maintaining an audit committee. The main expectation is that such a function will make a positive contribution to the efficient, effective and economical management of the agency.

For smaller statutory bodies, factors such as their complexity and size, the existence of an internal audit function and whether the statutory body has sufficient time to consider audit issues accurately should be part of the evaluation process in deciding whether or not an audit committee is appropriate.

It is recommended that the decision and evaluation process undertaken to determine whether to establish an audit committee be recorded and periodically reviewed to ensure it remains appropriate.

### 2.2 Purpose of an Audit Committee

The purpose of the audit committee is to provide assistance to the accountable officer or statutory body. An audit committee's roles and responsibilities will be set out in its charter and will be determined after consideration of agency specific factors. An audit committee can involve all or a combination of the following duties and responsibilities:

- Obtain assurance from management that all financial and non-financial **internal control and risk management** functions are operating effectively and reliably.
- Provide an independent review of an agency's **reporting functions** to ensure the integrity of financial reports.
- Monitor the effectiveness of the agency's **performance management** and performance information.
- Provide strong and effective oversight of an agency's **internal audit** function.
- Provide effective liaison and facilitate communication between management and **external audit**.
- Provide oversight of the implementation of accepted **audit recommendations**.
- Ensure the agency effectively monitors compliance with **legislative and regulatory** requirements and promotes a culture committed to lawful and ethical behaviour.

The operations of the audit committee do not diminish the statutory duties and responsibilities imposed on accountable officers or statutory bodies under the prescribed requirements.

In addition, the activities of the audit committee do not detract from the role or responsibilities of agency management, board of management, risk management committee, finance committee, ethical practice committee, or any other key governance group. For example, if an agency has a separate risk management committee then the audit committee's role in relation to risk would need to be defined taking into account the scope of the work performed by the risk management committee.

Where an agency has separate groups or committees, it is recommended that they operate in an inter-related manner with open communication which will clearly establish the roles and responsibilities to be undertaken by each committee.

## 2.3 Benefits of an Audit Committee

The existence of an independent audit committee is recognised internationally as an important feature of good corporate governance.<sup>1</sup> An audit committee can benefit an agency by:

- Acting as a forum for dialogue between the accountable officer or statutory body, executive management and the internal and external auditors. The **communication** helps facilitate a better awareness of each party's responsibilities and provides a more efficient and coordinated audit process.
- **Promoting the integrity and quality of internal and external reports** by providing a high level of assurance and check.
- Fostering and promoting a more effective and efficient audit process by **providing an independent review of the internal audit annual audit plan and reports**.
- Providing a 'no surprises' environment in an agency, particularly with regard to the **prompt identification of risks and threats to the agency**.
- Providing a **depth of knowledge** that assists management discharge its responsibilities in the most effective and efficient manner.

If there is no audit committee, it is particularly important that agencies disclose how their alternative approach assures the integrity of the financial statements of the company and the independence of the external auditor, and why an audit committee is not considered appropriate.<sup>2</sup>

## 2.4 Audit Committee Charter

### Requirement to have a Charter

Section 35 of the *Financial and Performance Management Standard 2009* requires that where an audit committee is established, the accountable officer or statutory body must prepare terms of reference. Throughout these guidelines the 'terms of reference' for an audit committee is referred to as the audit committee's charter.

### Characteristics of an effective Charter

A charter should be used to guide the behaviour and activities of an audit committee on an ongoing basis. A clear, well written charter would:

- Set out the objectives, roles and responsibilities of the audit committee.

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<sup>1</sup> ASX Corporate Governance Council, Corporate Governance Principles & Recommendations with 2010 Amendments, 2<sup>nd</sup> edition

<sup>2</sup> *ibid*

- Set out the composition, structure and membership requirements of the audit committee.
- Set out the relationship of the audit committee with the accountable officer or statutory body, management, the internal audit function and the external auditors.
- Be tailored to meet the agency's own individual needs and circumstances.
- Include authority for the committee to conduct enquiries appropriate to fulfil committee responsibilities, together with a statement that full assistance is to be provided to the committee in the discharge of its duties and responsibilities.
- Include authority for the committee to access agency documents, records and personnel and the requirement that frank, truthful and meaningful answers be given to questions by the committee to any agency employee.
- Clearly state the committee's relationship with other governance committees including the process for sharing of information.
- Outline confidentiality and independence requirements of committee members, and their ethical and reporting responsibilities.
- Outline the processes for resignation and dismissal, ensuring that grounds for dismissal refer to the skills and code of conduct as documented in the letter of appointment.
- Outline procedures for meetings.

#### **Practical use and review of the Charter**

Following approval, the audit committee's charter should be published on the agency's intranet to promote awareness of this governance mechanism within the agency. The accountable officer or statutory body might also consider making the charter publicly available on the agency's web site. This disclosure recommendation is based on ASX corporate governance principles and reflects the expectation for high level accountability to the public and stakeholders. Agencies may need to consider the provisions of the *Right to Information Act 2009* prior to publishing the charter.

The charter should be reviewed and, where necessary, updated on an annual basis.

The charter should be a 'dynamic' document that changes as the agency's circumstances change. The charter should be a practical document that is used as a basis for:

- preparing the annual work plan
- setting agenda for meetings
- adoption as a standard for reporting to management, and
- assessing the committee's performance.

#### **Additional Guidance Material**

- ⇒ **Appendix A** contains an example audit committee charter.
- ⇒ **Appendix P** contains a list of websites of audit committee toolkits which contain example audit committee charters.

## 3. Membership of the Audit Committee

### 3.1 Appointment Criteria for Audit Committee Members

An audit committee should consist of members who have an appropriate mix of skills and experience which will enable the committee to perform all of its functions effectively. The required skill set of the committee should be reviewed periodically in light of the prevailing circumstances of the agency. If any weakness in skill, experience or ability is identified then the membership should be strengthened to reflect the additional skills required.

The desired **personal qualities** of individual members include:

- An ability to ask relevant questions, evaluate answers and continue to probe for information until completely satisfied with the answers provided.
- The desire to always encourage openness and transparency.
- An ability to think independently, objectively and have an inquiring mind.
- Strong ethical values, including a thoughtful approach to ethical issues that might be faced.
- A sense of integrity and an ability to give direct and honest opinions.
- A proven ability to be open to, accept and foster change.

Given the nature and responsibility of an audit committee, collectively the members should have the following **skills and experience**:

- A thorough understanding of the core activities of the agency and the environment in which it operates, including its strengths, weaknesses, opportunities and threats.
- A commitment to the continual improvement of the agency's financial and non-financial performance management information and how this contributes to the Whole-of-Government performance management framework (i.e. the Government's ambitions and agencies' objectives and services).
- Strong business acumen and management skills.
- A high level of understanding of best practice internal control, risk management and corporate governance.
- A sound knowledge of information systems and emerging technology.
- A high level of competency in financial and performance reporting and the ability to analyse complex financial reports.

An audit committee should not place excessive reliance on the skills of any one member. Instead an audit committee should consist of individuals who, as a whole, possess an appropriate mix of the desired skills and experience. The audit committee as a whole is responsible for carrying out its activities; the majority of the duties should not be left to one individual.

#### **Committee members to maintain independence**

To maintain independence, members must be appointed to an audit committee based on their individual skills and experience. Members should not be appointed as a result of the position they hold within an agency. Members must act and make decisions with an open and enquiring mind from their perspective as an audit committee member safeguarding the interests of the agency that appointed them. Members must act independently and not as a representative of an area within an agency or of a controlling entity.

**Committee members to maintain ethical standards**

Members of the audit committee should, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity and probity.

It is recommended that external members be provided with a copy of the agency's code of conduct. If new employees of the agency are required to sign off on the agency's code of conduct and/or are required to undertake training on the agency's code of conduct, then it is expected that consideration be given to external members of the audit committee also undertaking those requirements. All audit committee members are expected to abide by the agency's code of conduct.

**Committee members to avoid conflicts of interest**

To strengthen the audit committee's actual and perceived independence, the committee should develop protocols for dealing with actual or perceived conflicts of interest.<sup>3</sup>

Members must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties.

Members must not use agency information for any personal gain for themselves or their immediate family or in any manner that would be contrary to law or detrimental to the welfare and goodwill of the agency. This requirement extends to any employment a member may subsequently undertake in the private sector or in a private capacity.

**Register of conflicts of interest**

It is recommended that a register of conflicts of interest be established. Conflict of interest should be a standing agenda item, with the register available at each meeting and possible conflicts noted in the minutes. When a member is appointed to the audit committee, all relevant potential conflicts of interest should be identified and documented in the register. The register should be updated by all members at each meeting as well as updated formally on an annual basis. A robust system of monitoring conflicts of interest is in the best interests of members as it offers protection to members and strengthens the independence of the audit committee.

**Committee members to act confidentially**

Members must not publicly comment on matters pertaining to activities of the committee other than as authorised by the accountable officer or statutory body.

**3.2 Appointment Process**

Audit committee members including the Chair should be appointed by the accountable officer or statutory body. The appointment criteria of audit committee members as outlined in this document should be taken into account in this process. In addition, the accountable officer or statutory body should also take into account the skills set of the existing members of the audit committee in determining the optimum composition of the audit committee.

When appointing a Chair, the accountable officer or statutory body should address the skills required of the Chair as outlined in this document.

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<sup>3</sup> Australian National Audit Office, Public Sector Audit Committees – Independent Assurance and Advice for Chief Executives and Boards, August 2011, p43.

The appointment of an audit committee member should be formalised in an official letter of appointment signed by the accountable officer or Chair of the Board of the statutory body.

The letter of appointment should set out the terms and conditions of the appointment and could include such items as:

- duration of appointment
- role of audit committee
- role and responsibilities of the member
- timing and location of meetings
- time commitment
- remuneration (if applicable)
- conflicts of interest
- induction process
- confidentiality
- performance appraisal
- rights of Chair, and
- termination of appointment.

The appointment of a new member should take into account the staggered appointment dates for members. This is discussed further in section 3.7 Term of Office and Replacement of Audit Committee Members.

#### **Additional Guidance Material**

- ⇒ **Appendix B** contains an example letter of appointment.
- ⇒ **Appendix C** contains an example confidentiality acknowledgement.

### **3.3 Composition of Audit Committee**

In determining the composition of the audit committee the accountable officer or statutory body should consider the qualities and skills set of the members of the committee as described in section 3.1 Appointment Criteria for Audit Committee Members. To determine the optimal composition of the audit committee it is desirable that the following also be considered by the accountable officer or statutory body when appointing members to an audit committee:

- A minimum of three members. Research indicates that from an operational perspective, a maximum number of approximately six members is optimum. However, determining the number of members is at the discretion of the agency. For example, if an agency has diverse functions it may be appropriate for the audit committee to have more than six members to give the right balance of internal and external expertise.
- It is considered desirable that two members should be external to the agency to provide independent input from an 'outside' perspective.
- At least one committee member should have financial expertise. A financial expert would generally include a person who is a qualified accountant, who is a current member of one of the professional accounting bodies in Australia and who has relevant financial experience in professional accounting or audit.

- At least one committee member should possess expertise in the industry in which the agency operates.
- The Chair should be independent, i.e. someone external to the agency or a person internal to the agency who, in the opinion of the accountable officer or statutory body, has sufficient independence and expertise, to discharge the following responsibilities:
  - ⇒ Provide advice and assurance to the accountable officer or statutory body from an objective and independent perspective.
  - ⇒ Address issues without preconceived ideas or bias and assist in encouraging objective debate on issues.
  - ⇒ Provide an insight into best practice procedures adopted in other agencies.

An independent Chair can perform their role unencumbered by any management responsibilities and provides the opportunity for the Chief Executive to receive advice and assurance from an independent perspective.<sup>4</sup>

A Chair who is internal to the agency may be considered to be independent if they are independent of the areas within the audit committee's scope and independent of line management and the day to day operations of the agency.

It is recommended that the accountable officer or Chair of the statutory body should not also undertake the role of Chair of the audit committee. However, they would, of course, be able to attend meetings as an 'observer' should they consider this to be desirable.

In the case of a statutory body, the audit committee is normally a sub-committee of the board of the statutory body, which itself is composed of independent appointees. Under section 35(4) of the *Financial and Performance Management Standard 2009* the audit committee for a statutory body must include members of the statutory body or, if the statutory body has a governing body, members of the governing body. Members of the board of the statutory body are not employees of the statutory body. Consequently, appointees from the board are considered to be independent members of the audit committee.

Where it is not possible to have individual members with specific expertise, the committee may consider engaging specialists such as legal or information and communication technology advisers as and when required.

#### **Additional Guidance Material**

- ⇒ **Appendix D** contains a checklist for assessing financial literacy.

#### **Independent external membership of audit committee**

Audit committee members who are external to the agency could be drawn from areas such as:

- the senior executives of other public sector agencies, including core central agencies
- industry groups such as the Institute of Internal Auditors, Australia
- the private sector, including management consultancy firms, and
- the Queensland Register of Nominees to Government Bodies as maintained by the Department of the Premier and Cabinet.

External members bring a broad range of experience to the committee and an enhanced ability to look at issues within the agency without preconception or bias. External members

<sup>4</sup> Australian National Audit Office, Public Sector Audit Committees – Independent Assurance and Advice for Chief Executives and Boards, August 2011, p22.

also allow the agency to gain an insight into 'best practice' procedures adopted in other agencies and jurisdictions.

With external committee members, confidentiality concerns or potential conflicts of interest may arise. External appointees should be selected in such a way as to avoid any existing or potential conflict of interest. If a conflict of interest exists or arises subsequently it must be declared and included in the Register of Conflicts of Interest. In addition, all members should be required to sign a confidentiality agreement to ensure they are fully cognisant of this requirement.

#### **Remuneration (external non public sector members only)**

The amount of remuneration paid to external non public sector audit committee members would be determined at the discretion of the accountable officer or statutory body. It is considered appropriate that the remuneration paid to an external non public sector audit committee member would reflect the prevailing rate for services provided by public sector board or committee members.

The Department of Justice and Attorney-General has issued guidance in the policy document titled *Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities*, as updated on 26 February 2010 which reflects the current market rate for services provided by board or committee members.

#### **Professional indemnity insurance (external non public sector members only)**

External non public sector members of an audit committee are not covered for professional indemnity insurance by the Government policy titled *Guideline for the Grant of Indemnities and Legal Assistance to State Employees*.

Whether an external non public sector audit committee member should be covered by professional indemnity insurance is a policy issue for individual agencies to consider on a case by case basis.

If an agency determines that professional indemnity insurance is required, then either the external non public sector audit committee member can obtain their own insurance or the department can consider obtaining it on their behalf. This is a policy issue for individual agencies to consider on a case by case basis.

In some cases, an external non public sector audit committee member may be covered by an employer's professional indemnity insurance policy or by their own insurance, though this will need to be ascertained on a case by case basis having regard to the terms of any relevant policy of insurance.

#### **Factors to be considered when appointing independent members**

Ideally, an audit committee should include two independent members who are external to the agency. The effectiveness of an audit committee is influenced by its ability to operate independently of line management and the day to day operations of the agency. The increased number of independent external members can counteract the perception that too many internal members do not allow for appropriate external scrutiny of the agency.

When determining the composition of the agency's audit committee, the accountable officer or statutory body would assess the need for independent external members on the committee. Increasing the number of independent external members of an audit committee could be achieved over time as an internal member's term of office expires. Independent members do not have to be external to the public sector. Independent members can be public sector employees who are external to the agency. No sitting fees are to be paid to public sector members of an audit committee.

In the event that the accountable officer or statutory body is unable to appoint independent external members, internal agency staff who are independent of the areas of scope of the audit committee and independent of line management and the day to day operations of the agency may be utilised.

Internal agency staff provide detailed agency knowledge to the audit committee which is essential to enable independent members to be adequately informed. As a result, internal agency staff may be better utilised as 'observers' to the audit committee. They could then attend when invited, which could be ad hoc or on-going, rather than limited to a term of office. Observers attend meetings by invitation only and are not able to vote at meetings.

### 3.4 Chair and Secretariat

#### Skills of Chair

Effective leadership of the audit committee is critical to its acceptance as the provider of high quality, independent advice. The Chair of the committee should:

- be fully appreciative of the role and functions of the committee and of the agency
- possess sound communication and strong leadership skills, and
- have and retain the full confidence and support of the accountable officer or statutory body.

#### Rights of Chair

If a conflict exists between the Chair of the audit committee and the accountable officer or statutory body, the Chair has the right to obtain external advice from a third party such as the Office of the Ombudsman, the Integrity Commissioner or to seek external legal advice.

An audit committee's right to access staff, experts and information are discussed in section 5.1 Rights of the Audit Committee of these guidelines.

#### Induction for new Chair

The accountable officer or statutory body is responsible for ensuring that the new Chair receives an appropriate level of induction as described in section 3.5 Induction of Audit Committee Members.

An outgoing Chair of an audit committee should ensure that the new Chair is sufficiently briefed to assume the role of Chair. In particular, the outgoing Chair should ensure that the handover includes a briefing on any significant outstanding matters and any major emerging risks facing the agency.

#### Secretary to the audit committee

It is desirable that a secretary to the committee be appointed to facilitate the committee's meetings and reporting duties.

The secretary is responsible for the preparation and circulation of the meeting agenda and accurately minuting all decisions of the committee in consultation with its Chair. The secretary also is responsible for the timely tabling of all correspondence, reports and other information relevant to the committee's activities and operations.

Another of the secretary's responsibilities would be to draft the annual committee work plan in consultation with the Chair. The draft work plan would be submitted to the audit committee for discussion. Further information content and purpose of an annual work plan is provided in section 5.2 Meetings of the Audit Committee of these guidelines.

The accountable officer or statutory body would decide who is the appropriate officer to perform the secretariat function.

The person who performs the role of secretary is not a member of the audit committee and, therefore, is not able to vote at meetings.

### 3.5 Induction of Audit Committee Members

#### Induction of new members

There should be a formal induction process for new committee members tailored to their individual needs.<sup>5</sup> New members of the committee should be provided with a suitable 'walkthrough' of the activities of the agency to enable them to gain an understanding of its principal operations and activities, corporate practices and culture.

The content of the induction process will vary depending upon whether the new member is:

- internal to the agency
- external to the agency, or
- external to the public sector.

#### Induction plan

The Chair is responsible for developing an induction plan for new members and ensuring that each new member receives the appropriate level of induction. An induction plan could include the following:

- a briefing by the accountable officer or Chair of the statutory body and Chair of the audit committee
- an opportunity to meet other committee members and relevant third parties such as internal and external audit. Background material such as biographies could be provided if available, and
- access to all relevant documents should be provided to facilitate gaining an understanding of the work of the audit committee.

The induction plan should be detailed in the new member's letter of appointment. When the induction has been successfully completed by the new member, it should be noted in the minutes by the secretary.

#### Access to relevant information

All new members should be given a copy of all relevant documents including (but not limited to):

- access to all key legislation
- code of conduct
- audit committee guidelines, audit committee charter, recent audit committee minutes and reports
- risk management guidelines
- corporate plan and business plan

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<sup>5</sup> Australian National Audit Office, Public Sector Audit Committees – Independent Assurance and Advice for Chief Executives and Boards, August 2011, p24.

- internal audit charter, annual work plan and current internal audit report and details of any outstanding audit recommendations
- current external audit report and details of any outstanding audit recommendations, and
- agency related acronyms.

#### **Induction of external members**

Members who are external to the agency and external to the public sector should be given the opportunity to undertake additional areas of induction, including training (which could be online) on the agency's key business processes.

Members who are external to the public sector should be given the opportunity to attend courses on the government process and government reporting.

#### **Who performs the induction**

The Chair is responsible for ensuring that an induction process is undertaken for all new members. The Chair may delegate that the induction be performed by another audit committee member or the audit committee secretary.

It is recommended that the induction process for a new Chair be conducted by the accountable officer or Chair of the statutory body.

### **3.6 Continuing Education of Audit Committee Members**

It is expected that audit committee members will be highly experienced professionals within their own field of expertise and as a result will undertake professional development and education on an on-going basis. However, it is recognised that audit committee members should be given the opportunity to attend training to obtain new skills and/or update their existing skills so that they can effectively contribute to the audit committee. The training required will depend on the background of each committee member and should be targeted to assist members in fulfilling their role on the audit committee.

#### **Monitoring of training needs**

The Chair should monitor the training needs of the committee members. The training to be performed should be endorsed by the Chair.

Courses could include areas such as:

- developments in corporate governance
- financial reporting or relevant legislative updates, or
- industry specific areas.

#### **Training to be minuted**

If a member attends training which is required to update their knowledge in their capacity as an audit committee member, the member's attendance at training should be minuted by the secretary.

### 3.7 Term of Office and Replacement of Audit Committee Members

#### Term of office of members (including Chairs)

The initial term of appointment to the committee should be for a period of not more than three years. The term of appointment can be extended for a further three years, giving a maximum total period of service of six years.

The term should only be extended after the performance of the member has been reviewed. A model assessment process is outlined in section 7.3 Review of Individual Member Performance.

#### Replacement of members

The rotation of members is an important vehicle for strengthening the independence of the committee.<sup>6</sup> Further, membership ideally should be replaced on a staggered basis. The accountable officer or statutory body should consider using varied initial terms of office to enable a staggered expiration of appointment for members.

When replacing members, the accountable officer or statutory body should identify the need to introduce fresh ideas and thinking into the audit committee, while retaining some degree of core continuity and experience.

### 3.8 Resignation and Dismissal of Audit Committee Members

#### Resignation process for committee members

A committee member should give sufficient notice prior to resignation.

The committee member should have the opportunity to have an exit meeting with the Chair to discuss the reason for leaving and to provide feedback on their experience on the audit committee as well as any other issues.

The date of resignation should be minuted by the secretary.

#### Dismissal process for committee members

A committee member can be dismissed by the accountable officer or the statutory body under certain circumstances. The accountable officer or the statutory body may seek the advice of the Chair of the audit committee when dismissing other members of the committee. Reasons for dismissal would normally be detailed in the letter of appointment, such as:

- where an on-going conflict of interest exists
- where there has been a breach of confidentiality, or
- where a member has not performed to expectations.

The official dismissal processes as they relate to the agency should be adhered to by the accountable officer or statutory body when an audit committee member is being dismissed. Where appropriate, the dismissal process should be linked to the member's performance appraisal process.

The dismissal of a member should be performed verbally by the accountable officer or statutory body as well as in writing. The dismissal should be effective immediately.

The date of dismissal should be minuted by the secretary.

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<sup>6</sup> Australian National Audit Office, Public Sector Audit Committees – Independent Assurance and Advice for Chief Executives and Boards, August 2011, p25.

## 4. Roles of the Audit Committee

The audit committee plays a key role with respect to the integrity of the agency's financial information, its system of internal controls, and the legal and ethical conduct of management and employees.

An audit committee's responsibility will vary depending upon:

- the agency's complexity, size and requirements
- the risks affecting the agency, and
- the current environment in which the agency operates.

Best practice would be for an audit committee to assess the key areas currently affecting the agency and for the audit committee to focus on those areas. The role undertaken by an audit committee will vary between agencies depending upon the risks and complexities affecting each agency.

The accountable officer or statutory body should ensure that the audit committee has capacity to undertake its responsibilities effectively and efficiently.

Depending upon circumstances affecting an agency, the functions undertaken by an audit committee will generally encompass the following areas:

- Evaluating whether processes are in place to address key roles and responsibilities in relation to **risk management**.
- Evaluating the adequacy of the control environment to provide reasonable assurance that the systems of **internal control** are of a high standard and functioning as intended.
- Performing an independent review of the financial statements to ensure the integrity and transparency of the **financial reporting** process.
- Monitoring the effectiveness of an agency's performance information and compliance with the **performance management** framework and performance reporting requirements.
- Evaluating the quality of the **internal audit** function, particularly in the areas of planning, monitoring and reporting.
- Engaging with **external audit** and assessing the adequacy of management response to issues identified by audit.
- Reviewing the effectiveness of how the agency monitors compliance with relevant **legislative and regulatory** requirements and promotes a culture committed to lawful and ethical behaviour.

### 4.1 Risk Management

Accountable officers and statutory bodies are required by the *Financial Accountability Act 2009* to establish and maintain appropriate risk management systems.

The *Financial and Performance Management Standard 2009* requires each accountable officer and statutory body to manage the strategic and operational risks of the agency. The risk management system must provide for mitigating the risk to the agency and the State from unacceptable costs or losses associated with the operations of the agency and managing the risks that may affect the ability of the agency to continue to provide government services (section 28).

It is expected that an agency's risk management system will identify strategic, operational and financial risks (including fraud), and assign responsibility to appropriate areas within the agency.

The audit committee's role in relation to risk is to support the accountable officer or statutory body. The approach taken by the audit committee will depend upon the circumstances in each agency. The audit committee's role and scope in relation to risk management will differ depending upon whether the agency has:

- separate risk management and audit committees
- an audit committee only and has not established a risk management committee, or
- a combined risk management and audit committee.

In all circumstances, the extent and nature of the audit committee's role in relation to risk should be clearly documented in the audit committee's charter.

### 1. Separate risk management and audit committees

A separate risk management committee can ensure sufficient expertise and time is dedicated to developing strategies and identifying and managing risks. Where a separate risk management committee exists it is essential that there is a formal process for sharing of information and/or for regular reporting to the audit committee.

Even where a separate risk management committee exists, it may be possible that some of the financial risks may still be delegated to the audit committee.

If the agency has both a risk management committee and an audit committee, it is considered appropriate that as a **minimum**, the audit committee would consider the following as part of its risk assessment process:

- Ensure risks are owned by senior managers and these risks are considered as part of the agency's planning and reporting cycle.
- Be involved in the regular review of the agency's risk register. The audit committee should be satisfied that procedures are in place to ensure the risk register is of a high quality. The audit committee should use the risk register as a base only, as the audit committee needs to make its own risk assessment. This could result in the audit committee focusing on risk issues in addition to those considered by the risk management committee.
- Request a statement from management as to whether their control framework is operating satisfactorily.
- Ensure that risk identification and linked audit activities are addressed in the development and review of internal audit plans and discussions on external audit strategies.

### 2. Audit committee only – no risk management committee exists

Section 28 of the *Financial and Performance Management Standard 2009* provides that the accountable officer or statutory body may establish a risk management committee.

Even though an agency may decide not to establish a risk management committee, the duties and responsibilities of overseeing the risk management function still need to be performed. Each agency may undertake a different approach to the overview of risk management. For instance, the role could be undertaken by an executive management group. In the situation where the role of the overview of the risk management function is not being undertaken by a specific group or committee then, by default, the audit committee would need to incorporate risk management as part of its responsibilities.

The audit committee would need to evaluate whether processes are in place to address key roles and responsibilities in relation to risk at the whole-of-government level and agency level.

### ***Whole-of-government level***

At a whole-of-government level, a risk management framework needs to exist which supports the regular identification and review of risks at the agency, portfolio and State levels. This system ensures that risks at each level are identified, assessed and reported regularly to Cabinet and also informs the development of Government priorities.

The audit committee should oversight and review the agency's framework for identification and escalation of strategic risks to Cabinet as part of its evaluation of the risk management framework. This would assist in providing assurance of the framework's efficiency and relevance through linking with the agency's planning processes.

### ***Agency level***

The types of risks that audit committees are often required to monitor and receive reports from management on include:

- Fraud-related risks including theft, embezzlement, false claims, contract and procurement fraud, kickbacks.
- Risks of non-compliance with key laws and regulations including whistleblower and ethical conduct.
- Risks associated with the breakdown in key internal controls in processes such as financial reporting and financial management.
- Review of business continuity planning and disaster preparedness.

The audit committee would review management's process for assessing the risks of the agency and the ranking of those risks in order of priority. The audit committee would assess whether management has processes in place to select the high risk areas to be evaluated, reviewed or investigated.

## **3. A combined risk management and audit committee**

In some agencies it may be appropriate that the risk management and audit committees be combined. The combined committee would have to evaluate the appropriate time to be allocated to each of its roles and responsibilities.

Depending upon the circumstances within the agency, the oversight of the agency's risk management activities and procedures would be one of the key responsibilities of the combined risk management and audit committee. The combined committee would need to determine the level of focus and priority to be allocated to risk management whilst also fulfilling its other duties and responsibilities. This decision can only be made based on the specific circumstances affecting the agency.

Overall the combined risk management and audit committee would need to consider risk management at the whole-of-government and agency level as outlined in point two above (i.e. when an audit committee only exists and no risk management committee has been established).

#### **Additional Guidance Material**

- ⇒ **Appendix E** contains a checklist when undertaking risk management responsibilities.
- ⇒ **Appendix P** contains a list of websites with risk management publications.

## 4.2 Internal Controls

A key task of the audit committee is to obtain assurance from management that agency systems of internal control are of a high standard and that they are cost-effective and functioning as intended. The audit committee does this through its review of the agency's internal control framework, the findings of internal and external audit and the consideration of management responses to those findings. To do this effectively, committee members need to have a clear understanding of the meaning of internal control and the principles and practices relating to it.

The following may assist audit committee members in their duty to determine whether or not internal controls are operating effectively:

- Management should develop an 'assurance map' for the audit committee. An assurance map is a one page document that identifies the key risk areas, the controls over the key risk areas and who is responsible for them.
- Assurance providers should report to the audit committee that controls are in place, are effective and are being monitored for each key risk area. Assurance providers include internal audit and staff responsible for each critical risk area.
- The audit committee should review the internal audit plan and the external audit plan. These audit plans would also identify key risk areas. If control issues are identified, the audit committee should look for validation that new controls are now in place or that the lack of control has been rectified.
- In departments, the chief finance officer is required (under section 77 of the *Financial Accountability Act 2009*) to provide the accountable officer a statement about whether the financial internal controls of the department are operating efficiently, effectively and economically. While the chief finance officer is not required to provide a copy of the statement to the audit committee, it may be beneficial for this to occur. The chief finance officer may find feedback from the audit committee beneficial, and conversely the audit committee may gain a better understanding of the department, its processes and risks.
- Where applicable, the audit committee could review an issues register which includes details on issues identified, including the internal control issues identified by internal and/or external audit. The audit committee could review the issues register and look at the status or progress of the issues identified. For example, the register would state if an issue is resolved or unresolved. The audit committee could request management and internal or external audit to attend the audit committee meeting to advise on the status of the issue if it remained unresolved for an extended period, if there were repeated breaches of a particular control, or if any dispute or disagreement exists between internal or external audit and management.

### Additional Guidance Material

- ⇒ **Appendix F** contains a checklist of issues to be considered by the audit committee when assessing internal controls.
- ⇒ **Appendix P** contains a list of websites with internal control publications.

## 4.3 Financial Reporting

The function of the audit committee in relation to the agency's external reporting is one of independent review prior to final 'sign-off' by the accountable officer or the Chair of the statutory body. Also, if any technical or operational issues arise in relation to the finalisation of such reports, the committee can act as a useful forum for resolution, or reviewing and making recommendations on the various options and views.

The judgement in the 2011 Federal Court case of ASIC v Healy (the Centro Case) highlighted the responsibilities that directors have in relation to a company's financial statements. The judgement outlined that directors cannot simply rely on specialist advice (for example, from auditors) or advice from others (for example, management) in discharging their duties. The general principles covered by the judgement have application to Queensland public sector agencies where the accountable officer or chairperson of the statutory body is responsible for certifying the agency's financial statements.<sup>7</sup>

Given the audit committee's role in providing independent review of the agency's financial statements, it is crucial that audit committee members have a sound understanding of the agency's financial reporting requirements and the significant policies and principles that underpin these reports.

Management should present a 'financial reporting project plan' to the audit committee on an annual basis. The project plan should be presented to the committee as early as possible in the reporting period to which it relates. The project plan should include the financial reporting year end process and timing, the staffing and qualifications/experience of staff assigned to the major processes, audit details, and any audit adjustments made. This process allows the audit committee to use the project plan as a basis for ensuring their financial responsibilities are factored into the committee's agenda setting and annual work plan in an appropriate manner and within an appropriate timeframe.

In general, the audit committee should assume the following responsibilities in relation to the annual financial statements of the agency:

- Obtain assurance from management that the financial statements comply with all prescribed accounting requirements and are materially correct prior to recommending the financial statements for certification by the accountable officer or statutory body.
- Assess the appropriateness of agency accounting policies.
- Assess the process used by management in making material estimates and judgements in financial reports.
- Identify and actively assess any unusual financial or operational trends or variations from forecasts.
- Review the impact of any materially adverse audit findings on the integrity of the agency's financial statements.
- Assess whether the information contained in the financial statements is consistent with the audit committee's knowledge of the agency's 'business'.
- Perform other due care and diligence processes, including whether the statements are complete and operationally accurate and provide a 'true and fair view' of the activities of the agency for the period under review and the state of its affairs at balance date. Of particular relevance are the various notes and other disclosures that complement the statements, including any performance indicators.
- Enquire of management and external audit that the financial statements have been prepared in accordance with the timeframes agreed with the external auditors and whether there are any unresolved issues with external audit.

#### **Additional Guidance Material**

⇒ **Appendix H** contains a financial reporting checklist.

<sup>7</sup> Australian National Audit Office, Better Practice Guide Public Sector Audit Committees, August 2011, p9

#### 4.4 Performance Management

Accountability for performance information relates to how efficiently and effectively the agency has carried out its operations and is aimed principally at reporting value for money.<sup>8</sup>

The monitoring of agency performance is a key function of management and of various agency executive management groups such as the agency's management board, executive management group or finance committee. The audit committee has no direct line responsibility for agency performance. However, the audit committee should ensure, principally through the internal audit function, that the systems of performance measurement and reporting, as well as the systems of internal control that underpin the performance management framework of the agency, remain robust and are addressed routinely in the internal audit plans.

The audit committee should obtain assurances from management and internal audit that the agency's performance management system is adequately and effectively reporting appropriate and relevant performance information.

The assessment of an agency's performance management processes may be adequately managed by another committee such as a finance committee or information steering committee. The audit committee's role and scope in relation to performance management will depend upon the role undertaken by other committees within an agency.

The agency's performance management systems should report performance information that will enable an assessment of whether the agency is:

- optimising its revenue base
- operating within budget and achieving value for money in its operations
- optimising the use of, and benefits from, its cash, physical and other resources
- ensuring that the agency's physical assets are physically secure and in good repair
- ensuring that essential back-up exists in respect of critical ICT systems and data
- minimising agency liabilities, including its contingent liabilities, and
- actively monitoring transactions and balances that may have a material impact on the agency.

In relation to performance information, agency systems and procedures should facilitate:

- Achievement of the agency's role/purpose and objectives stated in its strategic plan efficiently, effectively and economically.
- The allocation of agency resources so as to achieve optimal value for money.
- The provision of agency services at the standard stated in its operational plan/s. Performance information should reflect how efficiently and effectively the agency has delivered its services. This should be represented by the effective use of relevant and appropriate benchmarks, standards and targets; a review of the agency's progress in achieving best practice; and measures of cost-effectiveness in carrying out its operations. Good performance data includes trends; uses both qualitative and quantitative measures; reports against targets; declares or discusses achievements and setbacks; and links costs to results.<sup>9</sup>

The audit committee should seek assurance from management that the agency has complied with the performance reporting requirements of the *Financial Accountability Act 2009*, the

<sup>8</sup> The Auditor-General of Queensland Report to Parliament No. 1 for 2008: Enhancing Accountability through Annual Reporting: a Performance Management Systems Audit, p9.

<sup>9</sup> The Auditor-General of Queensland Report to Parliament No. 1 for 2008: Enhancing Accountability through Annual Reporting: a Performance Management Systems Audit, p9.

*Financial and Performance Management Standard 2009*, the “Guide to the Queensland Government Performance Management Framework” and the “Annual Report Requirements for Queensland Government Agencies”.

The *Auditor-General Act 2009* allows the Auditor-General to conduct performance audits. The audit committee members should familiarise themselves with observations, issues and recommendations arising from these audits and monitor the implementation of any recommendations accepted by management.

#### **Additional Guidance Material**

⇒ **Appendix P** contains a list of websites with performance management publications.

### **4.5 Internal Audit**

Section 61 of the *Financial Accountability Act 2009* requires each accountable officer and statutory body to establish and maintain appropriate systems of internal control and risk management.

Further, under section 78 each accountable officer must delegate to the head of internal audit certain minimum responsibilities including providing an assessment and evaluation of the effectiveness and efficiency of departmental financial and operating systems, reporting processes and activities.

Section 29 of the *Financial and Performance Management Standard 2009* requires that each accountable officer must establish an internal audit function for the department. A statutory body must establish an internal audit function if directed to do so by the Minister. A statutory body may also establish an internal audit function if considered appropriate.

Where a department or statutory body has established an internal audit function, the agency must develop and implement systems for ensuring that it operates efficiently, effectively and economically.

While the legislated role of Head of Internal Audit must be a public sector employee, the internal audit function may be performed by the agency's own employees, contracted employees or shared with another agency where this is more efficient and cost-effective.

The internal audit function, where established, must operate under an internal audit charter and undertake planning appropriate to the size and functions of the department or statutory body. The *Financial and Performance Management Standard 2009* sets out the criteria that must be observed in relation to the internal audit charter, planning of the internal audit function, reporting considerations, relationship with external audit and the consideration of internal audit reports.

In essence, the audit committee acts as a forum for the internal audit function in respect of its planning, monitoring and reporting processes. It is part of the means for ensuring that the agency's internal audit function operates efficiently, effectively and economically.

The responsibilities of the audit committee should place emphasis on dealing with issues highlighted by internal audit rather than the detailed scrutiny of its day to day operations.

It is expected that the audit committee would overview matters such as:

- the adequacy of the internal audit charter
- the resourcing level is appropriate to the size and complexity of the agency
- the structure, qualification requirements, professionalism, ethical practices and training needs of internal audit
- the internal audit plans ensure an optimum, cost-effective overall audit cover and compliance with specific legislated requirements

- the interaction between internal and external audit plans to ensure there is no material overlap
- the performance of the internal audit function relative to the annual audit plan, and
- the findings of internal audit and the actions proposed to be taken by management, including an assessment that management's proposed solution is the most appropriate and cost-effective.

#### Review of internal audit function

The need to periodically review the effectiveness of the internal audit function is a particularly important task of the audit committee. To facilitate this, the audit committee should have regard to the following:

- Queensland Treasury's Financial Accountability Handbook, and
- Professional standards issued by The Institute of Internal Auditors.

#### Additional Guidance Material

- ⇒ **Appendix I** contains a checklist of issues to be considered by the audit committee when assessing the internal audit function.

#### 4.6 External Audit

The Queensland Auditor-General holds statutory appointment as auditor of all public sector entities and is responsible for reporting independently to Parliament on the discharge of that official statutory obligation. The Auditor-General is empowered under section 37 of the *Auditor-General Act 2009* to undertake audits in the way that the Auditor-General considers appropriate. In conducting an audit, the Auditor-General may take into account the character of the relevant internal control systems of the agency, including the internal audit function.

It should be noted that the audit committee has no power to direct the external audit function or to review the external auditor's working papers and files. Rather, the audit committee acts as a forum to ensure that the issues raised by external audit have been addressed appropriately by the agency in a cost-effective manner. If the agency does not agree with an audit recommendation, the audit committee should assess whether the response by management adequately addresses the associated risks to the agency.

The audit committee's involvement in relation to the external audit process would include:

- Discussing with external audit its proposed strategy for the year with particular reference to areas of risk and materiality. The committee could suggest areas which it believes require additional audit coverage.
- Reviewing the Client Strategy issued by the external auditors. The audit committee should agree a timeframe with external audit for the Client Strategy to be presented to the audit committee.
- Liaising with external audit regarding the progress of the audit and monitoring issues that may impact on external audit's ability to complete the audit within agreed timeframes.
- Reviewing, where a material variation in external audit fees is proposed, the reasons for the increase. The review may identify areas of weakness, such as whether there is any unnecessary overlap occurring between the internal and external audit processes. Where appropriate, if issues are identified, the audit committee would discuss the matter with the accountable officer or statutory body.

- Being briefed on a regular basis by external audit on the results of the audit work performed during the year. The committee should also receive a briefing from external audit of their review of the audited financial reports.
- Reviewing objectively and constructively the recommendations and comments made by the external auditors in their audit report. The audit committee would establish that the audit recommendations and comments are balanced with the views of management. The audit committee would also determine whether management's view represents a cost-effective solution to the recommendations made by external audit.
- Monitoring the relationship between internal and external audit. The external audit strategy may indicate that it plans to place reliance on some areas of work performed by internal audit. Where internal audit does not meet its planned audit coverage or deadlines, this may result in external audit changing the initial approved Client Strategy to address those areas no longer covered by internal audit. This change in strategy may result in an increase in the external audit fee.
- Reviewing the timetable for the preparation of financial statements. The timetable for the preparation of the financial statements should be agreed with external audit to establish timeframes for the end of year process. The audit committee should review this timetable and discuss with the chief finance officer (or equivalent), the agency's capabilities in meeting the proposed timetables, including the statutory deadline for the audit of accounts. The audit committee should also ensure that it schedules meetings in line with the proposed timetable for reviewing the financial statements.
- Reviewing any Auditor-General Reports to Parliament which directly relates to the agency, or may be appropriate to the agency. For example, if the Auditor-General undertakes a sector-wide audit and provides general comments in a Report to Parliament (that is, does not attribute comments to particular agencies), the audit committee may review these reports to determine any applicability to their agency, or if any lessons can be learned.

#### **Additional Guidance Material**

- ⇒ **Appendix J** contains a checklist of issues to be considered by the audit committee when assessing the external audit function.

### **4.7 External Scrutiny**

An agency will receive regular reports from its external auditors. However, it may also be the subject of scrutiny and report by other external reviewers, for example, Parliamentary committees, the Crime and Misconduct Commission, the Queensland Ombudsman or the Coroner.

The audit committee may be involved in reviewing the comments and recommendations of the external reviewers in their report, as well as the responses provided by management.

In addition, the audit committee may consider reports not directly related to the agency to determine if lessons can be learned.

### **4.8 Cross Agency Collaborations and Outsourced Arrangements**

#### **Cross agency collaboration**

Government agencies are becoming increasingly involved in cross agency collaborations, particularly where complex policy issues are involved. Agencies may collaborate with other State agencies, with other jurisdictions (Commonwealth, other States/Territories or local government), or with the private sector (for example, joint ventures).

Audit committees, in consultation with their accountable officer or statutory body, should consider the role they are to play with respect to providing assurance or advice. Cross agency collaborations can involve multiple legislative requirements, contracts, service level agreements or memoranda of understanding with other entities. In considering its role, the audit committee must recognise the additional time, effort and resources (for example, to engage specialist advice) this may involve and the impact on the committee's work program and timing of meetings.

Where cross agency collaborations exist, it may be beneficial for audit committees to share information. However, unless already allowed for in the audit committee Charter, information should not be shared without prior approval of the accountable officer or statutory body.<sup>10</sup>

### **Outsourced arrangements**

Outsourced arrangements are also becoming more common in the public sector. Outsourcing involves an agency entering into an agreement with another entity (either within the public sector or in the private sector) to perform operational, financial or other administrative activities which currently are, or could be, undertaken by the agency itself (for example, IT operations, document processing, payroll and debt collection).

Outsourced arrangements can be facilitated through policy documents, contracts and operating level agreements. An operating level agreement should detail the specific service deliverables to be provided by the service provider, including the specific role and responsibilities to be undertaken by the outsourced provider.

Audit committees should explicitly consider, in consultation with the accountable officer or statutory body, the role they play in providing assurance and advice on these arrangements.

Consideration should be given to inviting representatives from relevant parties to attend the audit committee meetings to answer questions and provide information as issues arise.

## **4.9 Legislative, Regulatory and Other Requirements**

Audit committees usually oversee compliance matters beyond those relating to the integrity of published financial information. Whilst the committee's charter determines the extent to which the committee needs to consider legislative compliance, non-financial areas of possible legislative compliance can include:

- the statutory body's enabling legislation
- occupational health and safety
- privacy
- right to information
- code of conduct
- whistleblower and customer complaints
- environmental laws
- lodgement of returns/data on Goods and Services Tax and Fringe Benefits Tax, and
- *Competition and Consumer Act 2010*.

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<sup>10</sup> Australian National Audit Office, Better Practice Guide Public Sector Audit Committees, August 2011, p11

Compliance with whistleblower and code of conduct requirements are areas that appear to receive particular attention in both the private and public sector. The audit committee needs to consider whether management has appropriate systems and procedures in place to create and maintain a culture within the agency which supports strong ethical standards and behaviour.

Whilst it is likely that compliance matters such as occupational health and safety and code of conduct issues may be handled by specialist areas in the agency, it is important that the audit committee is aware of where the responsibility lies. It is also desirable that the audit committee receives regular reports from the areas of responsibility regarding compliance.

For instance, some agencies have developed a compliance register, which details all legislation to be complied with and the person responsible. This person then reports to, or updates, the audit committee as part of its annual work program, usually as a standing agenda item. This process provides confirmation from management that legislative requirements are being reviewed for compliance.

Audit committee members should be informed about the relevant legislative and regulatory requirements of an agency as part of the appointment or induction process.

#### **Additional Guidance Material**

- ⇒ **Appendix C** contains an example of a confidentiality acknowledgement whereby a member also acknowledges receipt of legislation relevant to the agency.
- ⇒ **Appendix K** contains a list of State and Commonwealth legislation that would be applicable to the majority of Queensland government agencies.

## 5. Conduct of the Audit Committee

### 5.1 Rights of the Audit Committee

It is accepted practice for the accountable officer or statutory body to authorise the audit committee to perform a range of administrative functions in the context of their general oversight role.

#### **Right to access staff**

The committee Chair may request any employee of the agency, including a representative from internal audit, to attend a meeting and such person(s) must attend.

#### **Right to access 'experts' or 'specialists'**

Where advice is required in relation to a matter which is being considered by the audit committee and it is considered sufficiently material to warrant the services of a specialist consultant external to the agency, the audit committee may request the accountable officer or statutory body make such expert assistance available.

#### **Right to access information and reports**

The audit committee has the authority to access all relevant agency information and reports to enable the committee to discharge its duties.

#### **No decision-making powers**

Audit committees are generally advisory in nature and do not have binding decision-making powers, unless these have been delegated to it in accordance with the agency's enabling legislation or other legislation.

### 5.2 Meetings of the Audit Committee

Audit committee meetings should be held on a timely and regular basis and their proceedings, recommendations and discussions formally minuted. A meeting agenda should be prepared and distributed sufficiently in advance to enable adequate evaluation by committee members. A detailed agenda and strong chairing is vital in order that committee meetings remain focused.

#### **Agenda setting**

- The committee should determine its own agenda. However, it is considered beneficial for the committee Chair to liaise with the accountable officer of the department or chief executive of the statutory body, management, internal audit and external audit prior to setting the agenda so that recent developments can be included.
- In setting the committee agenda, the most significant risks and threats to the agency should be emphasised as well as the ongoing evaluation of what is being done to mitigate such risks.
- The agenda should be prepared and any supporting reports or reference material distributed to all members of the audit committee at least ten working days prior to a meeting. This will give members sufficient time to prepare for the meeting.

### Timing of meetings

- The audit committee should meet at least quarterly, the timing of meetings depending on individual agency processes, audit reporting and financial statement preparation timeframes. For example, the audit committee should meet to review the financial statements before they are certified by the accountable officer or statutory body Chair and the chief finance officer (or equivalent).
- The timing of audit committee meetings should be planned annually in advance to ensure the availability of all members. The timing should be communicated to other personnel such as internal and external audit and line management, so that their availability can also be confirmed as they may be required to attend selected meetings.
- The committee Chair may call additional meetings as necessary to address any matters referred to the committee or in respect of matters that the committee wishes to pursue.

### Minutes of meetings

- Meetings should be conducted on a formal basis and be effectively minuted by the secretary to record the proceedings and any decisions made.
- The minutes should cover each agenda item and document the discussion held and the outcome or conclusion from the discussions. This would include any recommendations, action points, allocation of tasks to relevant people, allocation of time for follow up and further consultation. The minutes should contain sufficient information to provide an understanding of the activities of the audit committee and the committee's recommendations, conclusions and outcomes.
- It is better practice for minutes of meetings to be prepared and distributed to committee members as soon as possible after the conclusion of the meeting.
- The minutes should be confirmed as an accurate record of the meeting at the next meeting of the audit committee. If any important details have been incorrectly recorded or omitted, they can be discussed and the minutes amended prior to confirmation at a subsequent meeting.
- After the minutes are confirmed as an accurate record of the meeting, they should be signed by the Chair.
- All members of the audit committee should receive a copy of the minutes of all meetings. In addition, a copy of the audit committee minutes could be forwarded to those who do not attend but who may have an interest in the activities of the audit committee, for example internal and external audit, and management.

### Annual work plan

An annual work plan sets out the activities to be covered by the audit committee. The work plan should allocate the key tasks to be covered at specific meetings to ensure all activities are addressed at the appropriate time during the year and that all key responsibilities are covered.

For instance, the work plan would set out, at the appropriate meeting, the various internal and external audit reports and management responses to be tabled and discussed. The annual work plan would also allocate appropriate time for a review of the progress of the internal audit function against the audit plan. An analysis of the adequacy of the operational aspects of the audit, for example, staffing, skills and timing, also is desirable.

When an audit committee is determining its work plan for the year, the committee should ensure that the plan aligns to the audit committee's charter. The audit committee's charter guides the behaviour and operations of an audit committee on an ongoing basis.

### Quorum

A quorum should consist of a majority of members of the committee, one of whom should be an independent external member.

### Proxies

As members are appointed on the basis of personal qualities and skills, it is best practice that proxies are not permitted if a member is unable to attend a meeting.

#### Additional Guidance Material

- ⇒ **Appendix G** contains an example audit committee annual work plan.
- ⇒ **Appendix L** contains an example standard agenda.

## 5.3 Reporting by the Audit Committee

### Summary report to accountable officer/statutory body

It is preferable for the Chair of the audit committee to meet with the accountable officer or statutory body after each audit committee meeting, if they have not attended the meeting. If such a meeting cannot be held, then a summary report could be prepared which highlights the key issues considered by the committee. The summary report would be provided to the accountable officer or statutory body in addition to a copy of the audit committee's minutes. The summary report would highlight the key issues and the minutes would provide the detailed supporting information.

### Year end report to accountable officer/statutory body

Under section 35(5) of the *Financial and Performance Management Standard 2009*, the audit committee must, as soon as practicable after the end of the financial year, prepare a report to the accountable officer or statutory body summarising its operations for the year.

The report could include:

- The audit committee's performance and achievements for the year. This should be compared to the original objectives and work plan which was set for the audit committee for the year and would include the performance and achievements of any sub-committees, if established.
- The areas of special interest which were investigated by the audit committee.
- Any deficiencies which were identified by the audit committee.
- The audit committee's view of the organisation.
- The self assessment or external peer review of the performance of the audit committee for the year.
- An outline of the objectives and focus of the audit committee for the following year.

### Agency annual report

Section 63 of the *Financial Accountability Act 2009* requires each accountable officer and statutory body to prepare an annual report. Section 50 of the *Financial and Performance Management Standard 2009* states that the annual report must include the information required by the 'Annual Report Requirements for Queensland Government Agencies'. The

Annual Report Requirements, published by the Department of the Premier and Cabinet, requires specific disclosure regarding the performance of the audit committee.

## 6. Key Relationships of the Audit Committee

### 6.1 Relationship with Accountable Officer or Statutory Body

A key role of the audit committee is to act as an independent source of counsel to the accountable officer or statutory body and to act as a forum for the resolution of any audit/management disagreements.

The accountable officer or statutory body has a key role in supporting the effectiveness of the audit committee. This may be achieved by the audit committee requesting a brief, at least once a year, from the accountable officer or statutory body on strategic internal and external developments impacting on the agency<sup>11</sup>. Issues that may be covered in the brief include emerging risks, significant projects, legislative changes and policy developments.

#### **Meetings with accountable officer or statutory body**

It is considered beneficial for the Chair to meet with the accountable officer or statutory body after each audit committee meeting to discuss the key issues.

It is also considered beneficial for the Chair to meet with the accountable officer or statutory body at the end of the year to review the performance and achievements of the audit committee during the year and also to discuss the key issues and focus of the audit committee for the coming year.

### 6.2 Relationship with Line Management

The role of the audit committee with respect to line management will focus mainly on management's response to audit findings and audit recommendations.

The audit committee should determine whether management's response to address the audit findings is satisfactory, cost-effective and in line with the agency's risk management framework. The audit committee should also ensure that the recommendations will enhance the effectiveness and efficiency with which the agency delivers its services.

#### **Attend meetings as an 'observer'**

If required, line management may attend as an 'observer' at the audit committee meetings. There may be situations where it would be beneficial for line management to attend as observer on an on-going basis, for example, in the situation where audit findings have to be addressed over an extended period of time to ensure appropriate changes are in place and where the audit committee requires updates on progress made. Observers attend meetings by invitation only and are not eligible to vote at meetings.

### 6.3 Relationship with Staff who Prepare Financial Reports

#### **Executive session with staff who prepare financial reports**

If considered beneficial by the Chair of the audit committee, an executive session may be held by the Chair with the audit committee's financial expert and the agency staff who prepare the financial reports. This meeting would be in addition to the normal audit committee meetings. The issues to be discussed could include:

- Whether agency staff receive sufficient support and have access to appropriate resources to complete financial reports on a timely basis.

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<sup>11</sup> Australian National Audit Office, Better Practice Guide Public Sector Audit Committees, August 2011, p30.

- Whether the deadlines and timing set out in the 'financial reporting project plan' are considered appropriate.
- Whether there is a training program in place to ensure staff maintain their technical skills.
- Whether any issues were encountered in the preparation of the financial report that should be brought to the attention of the audit committee.
- For departments, the contents of the statement provided by the chief finance officer to the accountable officer about whether the financial internal controls are operating efficiently, effectively and economically.

## 6.4 Relationship with External Audit

External audit and the audit committee should have a strong and candid relationship. Open, regular, frank and confidential dialogue should be the norm, allowing the audit committee to utilise the technical knowledge and experience of external audit in assessing, for example, the quality of the agency's internal control systems and financial reports.

### **Additional meetings with external audit**

If considered beneficial by the Chair of the audit committee, additional meetings may be held with external audit. The Chair of the audit committee could decide to hold one or both of the following meetings:

- a separate meeting may be held by the audit committee and external audit with no observers present, and/or
- an executive session may be held by the Chair with an independent audit committee member and external audit. An executive session may be desirable in circumstances when full and frank discussion is warranted with no internal agency staff present.

The Chair would hold the meetings when considered appropriate. These meetings would be in addition to the normal audit committee meetings. The issues to be discussed could include:

- availability of agency personnel and whether an appropriate level of assistance and cooperation has been provided by agency staff to the external audit team
- whether appropriate access to agency records and information was given and whether any unreasonable delays were encountered in the provision of information by the agency to the external auditors
- the quality of the information provided by the agency to the external auditors
- whether appropriate relationships exist with internal audit (for example, can reliance be placed by external audit on the work of internal audit?), and
- whether there have been any disagreements or unresolved matters with management in relation to audit findings and financial statement disclosures.

### **May attend audit committee meetings as an 'observer'**

It is best practice for external audit to be invited to attend, as an 'observer', for the whole or part of audit committee meetings. It may be beneficial for external audit to attend as observer on an on-going basis. Observers attend meetings by invitation only and are not eligible to vote at meetings.

## 6.5 Relationship with Internal Audit

The audit committee should maintain a strong, positive relationship with the internal audit team. The audit committee should view the internal audit team as a significant source of information about what is going on within the agency.

### **Additional meetings with internal audit**

If considered beneficial by the Chair of the audit committee, additional meetings may be held with internal audit. The Chair of the audit committee could decide to hold one or both of the following meetings:

- a separate meeting may be held by the audit committee and internal audit with no observers present, and/or
- an executive session may be held by the Chair with an independent audit committee member and internal audit.

The Chair would hold the meetings when considered appropriate. These meetings would be in addition to the normal audit committee meetings. The issues to be discussed could include:

- whether internal audit has sufficient resources to carry out its responsibilities, including access to specialists where required
- the availability of agency personnel and whether an appropriate level of assistance and cooperation has been provided by agency staff to the internal audit team
- whether appropriate access to agency records and information was given and whether any unreasonable delays were encountered in the provision of information by the agency to the internal audit team
- the quality of the information provided by the agency to the internal auditors, and
- Whether appropriate relationships exist with external audit (for example, has appropriate reliance been placed on the work of internal audit by external audit?).

### **May attend audit committee meetings as an 'observer'**

Internal audit may attend audit committee meetings as an 'observer'. There may be situations where it would be beneficial for internal audit to attend as an observer on an on-going basis. Observers attend meetings by invitation only and are not eligible to vote at meetings.

## 6.6 Relationship with Other Governance Groups

### **Risk management committee**

Where a separate risk management committee exists, it is essential that there is a formal process for sharing of information and/or for regular reporting to the audit committee.

Many public sector agencies have a separate risk management committee. The most appropriate form of communication between the committees would depend upon the agency.

Some appropriate ways for the audit committee and risk management committee to share information are as follows:

- common membership, such as, the Chair of the risk management committee is also a member of the audit committee

- a standing item on the audit committee's agenda to receive a report at each meeting from the risk management committee
- an exception reporting system, or
- by reviewing the sign-off by the risk management committee.

#### **Other executive management groups**

Executive management groups, other than audit and risk management committees, exist in most of the larger agencies. Where such discrete groups are operative, the audit committee should ensure that there is no material overlap between the functions and duties of the audit committee and the other management groups and that frank and meaningful interchange of information occurs between the groups, to the extent desirable or necessary.

Some appropriate ways for the audit committee to be informed on the activities of other management groups are as follows:

- the Chair of the executive management group may be invited to attend audit committee meetings as an 'observer' to provide an update on key issues, or
- a standing item on the audit committee's agenda to receive an update, at each meeting, from the relevant executive management group.

## 7. Assessment of Performance

### 7.1 Audit Committee Self Assessment

#### Annual self assessment

The audit committee should assess its performance and achievements against its charter on an annual basis. The aim of the self assessment is to ensure that the audit committee is meeting its objectives efficiently and effectively. The findings of the self-assessment should be presented by the Chair to the accountable officer or statutory body.

Where the self assessment highlights a need for enhancements to the role, operational processes or membership of the committee, the Chair should take action to ensure that such enhancements are implemented. The Chair may need to consult with the accountable officer or statutory body to obtain appropriate support to ensure all enhancements are implemented.

#### Management feedback

It may be beneficial for the audit committee to seek feedback from the accountable officer or statutory body or senior agency management on the effectiveness of the audit committee. In particular, feedback could be sought as to whether the audit committee is providing sufficient and appropriate support to the accountable officer or statutory body.

#### Use of an external facilitator

It may also be beneficial for the audit committee to use an external facilitator to provide assistance with, or to supervise, the self assessment process. It is up to the audit committee to decide whether the services of an external facilitator are required. An external facilitator can provide an impartial and objective view and can approach the evaluation process without bias or preconceived ideas. The committee Chair and external facilitator should provide feedback to the audit committee members and present the findings of the evaluation to the accountable officer or statutory body.

#### Additional Guidance Material

- ⇒ **Appendix M** contains an example audit committee self assessment questionnaire.
- ⇒ **Appendix O** contains an example management feedback questionnaire.
- ⇒ **Appendix P** contains a list of websites with example audit committee performance questionnaires and checklists.

### 7.2 External Peer Review of Audit Committee Performance

#### External peer review

The accountable officer or statutory body may decide that the audit committee undergo an external peer review of its performance. The timing of the external peer review would be at the discretion of the accountable officer or statutory body. It is considered best practice for the external peer review to be coordinated so that it is performed in conjunction with the Chair's term of office. The external peer review is not a review of the appropriateness of the decisions made by the audit committee, but instead is a review of the processes and procedures undertaken by the committee. The results of this review should be provided directly to the accountable officer or statutory body.

### Who performs the external peer review?

The external peer review should be performed by individuals who have specific skills relevant to the major risks of the agency as well as an understanding of how better performing audit committees operate. The external peer review team could consist of two to three individuals and could be drawn from areas such as:

- audit committees of other agencies, or
- the major risk area of the agency (for example, healthcare professional, teacher and engineer).

#### Additional Guidance Material

⇒ **Appendix N** contains an example audit committee external peer review checklist.

## 7.3 Review of Individual Member Performance

### Annual member assessment (including Chair)

Increasingly, corporate governance includes a formal evaluation of the performance of individual members of the audit committee in addition to the evaluation of the work of the committee as a group. The assessment would cover the performance of the individual member as part of the overall audit committee with reference to the particular skills the member has brought to the audit committee as a whole.

A member's performance assessment should occur at least once during their term of office. A member's term of office should only be extended if the performance of the member has been reviewed.

### Who performs the assessment?

The accountable officer or statutory body would decide the process or technique to be undertaken to review a member's performance. One or a combination of the following techniques could be used:

- the accountable officer or statutory body could perform a formal review of the Chair of the audit committee
- the Chair of the audit committee could perform a formal review of each member of the audit committee
- individual members could perform a self-assessment, and/or
- individual members could review the Chair and each other against a set of performance criteria. The performance assessments could be compiled by an independent facilitator and provided back to the accountable officer or statutory body and the Chair to facilitate feedback.

The form of the annual review would be determined and conveyed to individual committee members by the accountable officer or statutory body and the Chair at the beginning of each year. The most common approach is for individual members to be reviewed by the Chair, and for the Chair to be reviewed by the accountable officer or the Chair of the board of the statutory body.

## 7.4 Consequences for Lack of Performance

### **Lack of performance by audit committee**

If the audit committee does not perform as a whole then the accountable officer or statutory body would have to determine the consequences. Where the audit committee is not performing in accordance with their charter and this has been observed by, for example, internal audit, external audit or management, it would be appropriate for this or other issues to be brought to the attention of the accountable officer or statutory body. These issues could then be dealt with progressively by the appointing officer and any areas of weakness could be improved and monitored on an on-going basis.

### **Lack of performance by audit committee member**

If an audit committee member is not performing then the member must be given adequate access to counselling with the Chair and/or training to address any performance issues. If it is considered necessary to terminate the services of an audit committee member prior to the end of their term of appointment, processes outlined in section 3.8 Resignation and Dismissal of Audit Committee Members of this document may be of assistance.

## 8. Appendices

- A Sample Charter
- B Sample Letter of Appointment
- C Sample Confidentiality Acknowledgement
- D Financial Literacy Checklist
- E Risk Management Checklist
- F Internal Controls Checklist
- G Audit Committee Annual Work Plan
- H Financial Reporting Checklist
- I Internal Audit Checklist
- J External Audit Checklist
- K List of Applicable Legislation
- L Sample Agenda
- M Sample Audit Committee Self Assessment Questionnaire
- N Sample External Peer Review Checklist
- O Sample Management Feedback Questionnaire
- P Links to Useful Websites

## Appendix A - Sample Charter

This example charter is a suggested model only for an agency's audit committee. The charter should be tailored to meet each agency's individual profile and circumstances. If the agency has a combined audit and risk management committee then the audit committee's role in relation to risk would need to be modified.

The example charter below has been prepared for a department. Statutory bodies will need to make appropriate modifications.

### **{AGENCY NAME}** **AUDIT COMMITTEE CHARTER**

#### **THE CHARTER**

This document, to be known as the Audit Committee Charter of {agency name} has been approved by {name of accountable officer} as the accountable officer of {agency name}.

The purpose of this charter is to outline the role, responsibilities, composition and operating guidelines of the Audit Committee (the committee) in accordance with the *Financial and Performance Management Standard 2009*.

#### **AUTHORITY AND INDEPENDENCE**

The committee has no executive powers, unless delegated to it by the {title of accountable officer}.

The audit committee is a committee of {agency name} and is directly responsible to the {title of accountable officer}. In discharging its responsibilities the committee has the authority to:

- Conduct or authorise investigations into matters within its scope of responsibility.
- Access information, records and personnel of {agency name} for such purpose.
- Request the attendance of any employee, including executive staff, at committee meetings.
- Conduct meetings with {agency name} internal and external auditors, as necessary.
- Seek advice from external parties, as necessary.

#### **ROLE**

The role of the committee is to provide independent assurance and assistance to the {title of accountable officer} of {agency name} on:

- The risk, control and compliance frameworks.
- The agency's external accountability responsibilities as prescribed in the {name of relevant legislation and standards}.
- **{tailor to agency needs}** (other matters as appropriate to agency to be listed separately).

The committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within {*agency name*}, or the reporting lines and responsibilities of either internal audit or external audit functions.

The committee will provide prompt and constructive reports on its findings directly to the {*title of accountable officer*}, particularly when issues are identified that could present a material risk or threat to {*agency name*}.

## DUTIES AND RESPONSIBILITIES

The committee is directly responsible and accountable to the {*title of accountable officer*} for the exercise of its duties and responsibilities. In carrying out its duties and responsibilities, the committee must at all times recognise that primary responsibility for management of {*agency name*} rests with the {*title of accountable officer*}.

The audit committee's duties and responsibilities are to **{*tailor to agency needs*}**:

### Financial Statements

- Review the appropriateness of accounting policies adopted by the agency and ensure the accounting policies adopted are relevant to the agency and its specific circumstances.
- Review the appropriateness of significant assumptions and critical judgements made by management, particularly around estimations which impact on reported amounts of assets, liabilities, income and expenses in the financial statements.
- Review the financial statements for compliance with prescribed accounting and other requirements.
- Review, with management and the external auditors, the results of the external audit and any significant issues identified.
- Exercise scepticism by questioning and seeking full and adequate explanations for any unusual transactions and their presentation in the financial statements.
- Analyse the financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

### **Risk Management {*tailor as required if combined audit and risk management committee exists, also need to refer to areas already covered by separate risk management committee if one exists*}**

- Review the risk management framework for identifying, monitoring and managing significant risks, including fraud.
- Satisfy itself that insurance arrangements are appropriate for the risk management framework, where appropriate.
- Liaise with management to ensure there is a common understanding of the key risks to the agency. These risks will be clearly documented in a risk register which will be regularly reviewed to ensure it remains up-to-date.
- Assess and contribute to the audit planning processes relating to the risks and threats to the agency.

- Review effectiveness of agency's processes for identifying and escalating risks, particularly strategic risks.

#### **Internal Control**

- Review, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control.
- Review, through the internal and external audit functions, whether relevant policies and procedures are in place and up-to-date, including those for the management and exercise of delegations, and whether they are complied with.
- Review, through the chief finance officer (or equivalent), whether the financial internal controls are operating efficiently, effectively and economically.

#### **Performance Management**

- Review the agency's compliance with the performance management and reporting requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and the 'Annual Report Requirements for Queensland Government Agencies'.
- Review whether performance management systems in place reflect the agency's role/purpose and objectives (as stated in its strategic plan).
- Identify that the performance reporting and information uses appropriate benchmarks, targets and trend analysis.

#### **Internal Audit**

- Review the budget, staffing and skills of the internal audit function.
- Review and approve the internal audit plan, its scope and progress, and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
- Review the proposed internal audit strategic plan and annual plan to ensure they cover key risks and that there is appropriate co-ordination with the external auditor.
- Review the findings and recommendations of internal audit and the response to them by management.
- Review the implementation of internal audit recommendations accepted by management.
- Ensure that there is no material overlap between the internal and external audit functions.

#### **External Audit**

- Consult with external audit on the function's proposed audit strategy, audit plan and audit fees for the year.
- Review the findings and recommendations of external audit (including from performance audits) and the response to them by management.
- Review responses provided by management to ensure they are in line with the agency's risk management framework.
- Review the implementation of external audit recommendations accepted by management and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with audit's findings.

### Compliance

- Determine whether management has considered legal and compliance risks as part of the agency's risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring the agency's compliance with relevant laws, regulations and government policies.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

### Reporting

- Submit quarterly reports to *{title of accountable officer}* outlining relevant matters that have been considered by it as well as the committee's opinions, decisions and recommendations.
- Circulate minutes of the committee meetings to *{title of accountable officer}*, committee members and invited guests as appropriate.
- Prepare an annual report to *{title of accountable officer}* summarising the performance and achievements for the previous year. An interim program of the planned activities for the coming year is also to be provided.
- Submit a summary of its activities for inclusion in *{name of agency}* Annual Report.

## MEMBERSHIP AND MEETINGS

### Membership

- Members, including the Chair, are appointed by *{title of accountable officer}*.
- Membership of the committee will consist of a minimum of three and a maximum of six (unless otherwise determined by the accountable officer).
- A minimum of two members will be external to the agency. The committee will strive to increase the number of independent members over time.
- At least one member will have 'financial expertise' as described in the Queensland Treasury publication, *Audit Committee Guidelines – Improving Accountability and Performance*, June 2012.
- At least one member will have expertise in the industry in which the agency operates.
- The term of appointment is for three years and can be extended for a further term subject to the composition and skill requirements of the committee. The maximum term is six years.
- Members are appointed on the basis of personal qualities and skills and proxies are not permitted if the member is unable to attend meetings.
- Member terms and conditions are to be disclosed in the Letter of Appointment.

### Chair

- The Chair will be external to the agency, or if internal to the agency will be a person independent of the areas within the audit committee's scope of review and independent of line management and day to day operations of *{name of agency}*.
- The Chair will possess sound communication and strong leadership skills.

### Secretary

- A secretary/secretariat function will be appointed by *{title of accountable officer}* to facilitate the committee's meetings and reporting duties.
- The secretary, in consultation with the Chair, will prepare and send notices of meetings and agendas and accurately transcribe all decisions of the committee.
- The secretary will table all correspondence, reports and other information relevant to the committee's activities and operations.

### Ethical practices

- Members are required to declare any interests that could constitute a real, potential or apparent conflict of interest with respect to participation on the committee. The declaration must be made on appointment to the committee and in relation to specific agenda items at the outset of each committee meeting, and be updated as necessary.

### Meetings and attendance

- The committee will meet *{e.g. at least four times per year}* and the schedule of meetings will be agreed in advance.
- A quorum will consist of *{insert number}* members, one of whom must be an independent member.

### Meeting Agenda

- The committee should determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks and threats.
- The agenda and relevant papers will be distributed to members at least *{insert timeframe but suggest at least ten}* working days prior to the meetings.

## RELATIONSHIPS

### Internal Audit

The committee will act as a forum for internal audit and oversee its planning, monitoring and reporting processes. This process will form part of the governance processes that ensure that *{agency name}* internal audit function operates effectively, efficiently and economically.

- The internal auditor will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with internal audit at least twice per year, if required.

### External Audit

The committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken, but will act as a forum for the consideration of external audit findings and will ensure that they are balanced with the views of management.

- The external auditor will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with external audit at least twice per year, if required.

**Other Executive Management committees**

The audit committee shall liaise with *{insert name of committees existing in the agency}* as required to ensure:

- That its statutory and operational responsibilities are met.
- That there is no material overlap between the functions and duties of the groups.
- Frank and meaningful interchange of information.

**EVALUATION OF COMMITTEE ACTIVITIES**

- The committee will undertake an annual self assessment of its performance for the previous twelve months at *{insert timeframe e.g. the September meeting}*.
- The committee will provide a report of the annual review outcomes to *{title of accountable officer}*.
- At least once every *{insert appropriate timeframe e.g. three years, or co-ordinate with Chair's term of office}* the committee will arrange for an external peer review of its operations and activities. The results of this review are to be provided directly to *{title of accountable officer}*.
- The Chair will provide each individual member with feedback on that person's contribution to the committee's activities at least once during each member's term of office. This assessment will include a review of any training needs of the member.

**REVIEW OF THE CHARTER**

- The charter will be reviewed annually by the committee to ensure it remains consistent with the committee's authority, objectives and responsibilities.
- All amendments to the charter will be discussed and approved by *{title of accountable officer}*.

**APPROVAL OF THE CHARTER**

*{Agency name}* audit committee charter is endorsed by the Chair of the committee and approved by *{title of accountable officer}*.

---

Name  
Chair  
Audit Committee

---

Name  
*{Title of Accountable Officer}*

## Appendix B - Sample Letter of Appointment

### {*Organisation Letterhead*}

{*Date*}

{*Member name and address*}

#### **APPOINTMENT AS AUDIT COMMITTEE MEMBER**

I am pleased to confirm your appointment as a member of the {*agency name*} audit committee. I am writing to set out the terms of your appointment. Please note that this is a contract for services and is not a contract of employment.

#### **Duration of Appointment**

The appointment is for an initial terms of {*years*} commencing on {*date*}, contingent on the appointment not otherwise terminating in accordance with the {*committee's charter or by-law*}.

Audit committee members are typically expected to serve {*expected term*}, although the {*Accountable Officer/Board of the statutory body*} may invite you to continue on as a member for an additional period thereafter.

#### **Role of the Audit Committee**

The audit committee acts as an advisory body independent of management and internal and external audit, reporting directly to the {*accountable officer/statutory body*} on accountability and audit related matters. In particular, it assists the accountable officer or statutory body to:

- Provide an independent review of the organisation's reporting functions to ensure the integrity of the financial reports.
- Ensure all internal control and risk management functions are operating effectively and reliably.
- Provide strong and effective oversight of the organisation's internal and external audit functions.

A copy of the Audit Committee Charter is included in the attached binder of reference material.

#### **Committee Members**

The members and secretary of the committee are as follows:

| <b>Name</b> | <b>Position</b> | <b>Phone</b> |
|-------------|-----------------|--------------|
|             | Chair           |              |
|             | Secretary       |              |
|             | External Member |              |
|             | External Member |              |
|             | Internal Member |              |
|             | Internal Member |              |

### Timing and Location of Audit Committee Meetings

The committee normally meets {quarterly} and holds additional meetings if required. The proposed dates for meetings until the end of {year} are:

| Date | Time | Location |
|------|------|----------|
|      |      |          |
|      |      |          |
|      |      |          |
|      |      |          |
|      |      |          |
|      |      |          |

All relevant material for the meeting will be {emailed/couriered/mailed} to you {insert number of working days} prior to the scheduled meeting date.

### Commitment

Your duties as an audit committee member are expected to typically take {number} days per year, including time to read papers in preparation for meetings and a program of activity to keep you in touch with the agency's activities and priorities.

### <sup>^</sup>Remuneration {external non-public sector members only}

The Queensland government recognises the contribution made by members of the community to the sound management of many agencies and committees, and has approved a standardised system for remuneration of members of these committees.

External non-public sector members of the audit committee will be paid in accordance with the instructions and procedures prepared by the Department of Justice and Attorney-General in *Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities*, 26 February 2010.

### <sup>^</sup>Reimbursement of Expenses

Public sector members are not entitled to additional remuneration except as provided in section 5 of the document referenced above.

Non-external members may be reimbursed for certain meeting expenses. A copy of the instructions and procedures can be obtained from:

[http://www.justice.qld.gov.au/\\_data/assets/pdf\\_file/0019/28036/remuneration.pdf](http://www.justice.qld.gov.au/_data/assets/pdf_file/0019/28036/remuneration.pdf)

### Conflicts of Interest

All possible conflicts of interest are to be notified to the Chair of the audit committee prior to the first meeting of the committee. If during the period of appointment to the audit committee your personal circumstances change in any way that may result in a conflict of interest for you in your audit committee role, you are to immediately declare the circumstances to the Chair of the audit committee.

In addition, each member is required to declare all conflicts of interest at the beginning of every audit committee meeting if an agenda item indicates a conflict. If a conflict of interest arises

<sup>^</sup> Tailor to suit individual circumstances of appointee

during a meeting you are required to disclose the conflict immediately. All conflicts of interest and all pecuniary interests of all members are to be recorded in a Register of Conflicts of Interest which will be available at each audit committee meeting.

### **Induction Process**

In preparation for your role as audit committee member, I have enclosed a binder of reference material to assist you in familiarising yourself with the workings of {agency name}. It is expected that you will have read all induction material and completed all necessary paper work prior to attending your first audit committee meeting.

### **Confidentiality**

All information acquired during your term of office is confidential to the agency and should not be disclosed either during your appointment or after termination (by whatever means) to third parties except as permitted by law and with prior clearance from the Chair.

Enclosed is a Confidentiality Acknowledgement form. Please sign and return the form prior to the first meeting of the committee.

### **Privacy**

During your term of office you are required to comply with the {agency's name} Privacy Policy and Parts {1 or 2} and 3 of Chapter 2 and the {Information Privacy Principles as set out in Schedule 3 or National Privacy Principles as set out in Schedule 4} of the Information Privacy Act 2009.

### **Termination**

If you choose to resign from this appointment, you will be expected to give {number} months notice, unless your circumstances have changed in a way that makes it appropriate for you to resign immediately. If your performance as an audit committee member is determined to be unacceptable or if your conduct (including conflicts of interest) is unacceptable, your appointment may be terminated by the {Accountable Officer/Board of the statutory body}.

Should you have any further questions, please call me on {telephone number}.

Yours sincerely

{Name}  
Accountable Officer/Chair of Board of Statutory Body

Encl.

## Appendix C - Confidentiality Acknowledgement

I, {*name*} acknowledge that I have received a copy of:

- Details of {*agency name*} legislation and appropriate sections regarding confidentiality requirements
- {*Agency name*} Privacy Policy {*and appropriate sections of the Information Privacy Act*}
- {*Agency name*} Code of Conduct

I understand that acting in accordance with the legislation listed above and the {*agency name Privacy Policy*} is a condition of my continuing engagement as a member of the audit committee of {*agency name*}.

I note that should I require further assistance on any matter contained in the above documentation, I should contact {*contact details of appropriate area*}.

|              |  |
|--------------|--|
| Signature:   |  |
| Member name: |  |
| Date:        |  |



| Financial Literacy  | Yes   | No  | Comment |
|---|---|---|---------|
| <p><b>Experience (continued)</b></p> <p>Does the member have recent experience preparing, reviewing or auditing financial statements?</p> <p>Does the member have experience overseeing or assessing the performance of government organisations, companies, not-for-profit organisations or government auditors?</p> <p>Does the member have financial experience in the government sector?</p> <p>Does the member have experience in establishing systems of internal control, evaluating internal controls and maintaining the effectiveness of internal controls?</p> <p>Does the member have experience serving on an audit committee?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |

## Appendix E – Risk management checklist

The audit committee’s role in relation to risk (including fraud) is to support the accountable officer or statutory body. The approach taken by the audit committee will depend upon the circumstances in each agency. The audit committee’s role and scope in relation to risk management will differ depending upon whether or not the agency has established a separate risk management committee. The extent and nature of the audit committee’s role in relation to risk should be clearly documented in the audit committee’s charter.

The following is a list of relevant criteria that the committee may wish to take into account when undertaking its risk management responsibilities. The checklist would need to be tailored to meet the circumstances within the agency depending upon whether a separate risk management committee exists.

| Risk Management  | Yes   | No  | Comment |
|--|---|---|---------|
| <p><b>Risk Management Culture</b></p> <p>Is there a culture within the agency that understands and supports the needs and benefits of effective risk management?</p> <p>Does management support a proactive response to the identification of risks</p> <p>Are there risk management champions?</p> <p>Are the risk management champions supported by management?</p> <p>Are staff provided with regular training and information on risk management such as the risks facing the agency and the strategies used to mitigate the risks?</p> <p>Is risk information shared across the agency and with other agencies?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |
| <p><b>Risk Management Framework</b></p> <p>Does the agency have a risk management framework?</p> <p>Is the risk management framework:</p> <ul style="list-style-type: none"> <li>• Clearly documented?</li> <li>• Communicated to, and easily understood by, staff?</li> <li>• A direct reflection of the agency’s tolerance and appetite for risk?</li> <li>• Integrated across all levels of the agency and across all processes, operations, functions and reporting?</li> </ul>  | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 |         |

| Risk Management   | Yes   | No  | Comment |
|---|---|---|---------|
| <p><b>Risk Management Processes</b></p> <p>Is there an appropriate level of ownership and management of risk?</p> <p>Does the agency have a risk register or other document that identifies risks (including fraud) and ranks the risks impacting on the agency and more broadly whole-of-Government?</p> <p>If the agency does not have a risk register or other document to identify risks, has the agency considered establishing such a document?</p> <p>Does the risk register (or other document) accurately reflect the risks facing the agency?</p> <p>Does the risk register (or other document) consider the following with regard to risk:</p> <ul style="list-style-type: none"> <li>• External sources?<br/>(e.g. economic conditions, laws and regulations, labour relations)</li> <li>• Internal sources?<br/>(e.g. key employees (retention and succession planning), fraud, funding for key programs, information systems (security and backup))</li> <li>• Misstatement in financial reports?</li> <li>• Impact of risks in the short and long term?</li> </ul> <p>For each risk area identified on the risk register or other document, do satisfactory controls, processes or strategies exist to mitigate the risk?</p> <p>Are the major risks identified by the agency adequately considered in the internal and external audit plans?</p> <p>If a separate risk management committee exists, is there appropriate reporting on the issues considered by the risk management committee to the audit committee?<br/>(e.g. common membership or copy of minutes or issues report)</p> | <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> |         |

## Appendix F - Internal Controls Checklist

An audit committee’s responsibilities in relation to the internal control environment are review and enquiry. The audit committee should review whether management has effective internal control policies and procedures in place and that the controls are maintained. The audit committee should enquire of both the internal and external auditors whether they have identified any inadequacies in the control environment and that weaknesses are overcome.

The following is a list of relevant criteria designed to assist the members in evaluating the agency’s internal control environment. If deficiencies are identified, the audit committee would refer the issues to internal audit, the accountable officer or statutory body and, where appropriate, external audit.

| Internal Controls  | Yes                      | No                       | Comment |
|--|--------------------------|--------------------------|---------|
| <b>Policies and Procedures</b>   |                          |                          |         |
| Has the accountable officer or statutory body developed and implemented an appropriate internal control framework and specific internal control procedures for the agency?<br>(internal control procedures are defined in the Financial Accountability Handbook) | <input type="checkbox"/> | <input type="checkbox"/> |         |
| Are procedures in place to ensure that the internal control framework and procedures are reviewed and updated on a regular basis?  | <input type="checkbox"/> | <input type="checkbox"/> |         |
| Are procedures in place to ensure that the internal control framework and procedures are communicated to new staff and any updates to existing staff?<br>(e.g. induction and ongoing training)   | <input type="checkbox"/> | <input type="checkbox"/> |         |
| Does the agency have a culture which places importance on internal controls and adherence to them?<br>(e.g. periodic executive/senior management review of the internal control framework)   | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <b>Agency Personnel</b>  |                          |                          |         |
| Is the agency’s code of conduct clearly communicated to staff, including training on ethical standards?  | <input type="checkbox"/> | <input type="checkbox"/> |         |
| Are the agency’s staff members informed of their responsibilities regarding:   |                          |                          |         |
| • Access to data, computer systems and files?  | <input type="checkbox"/> | <input type="checkbox"/> |         |
| • Security over, and confidential use of, information?   | <input type="checkbox"/> | <input type="checkbox"/> |         |
| Are procedures in place to investigate any unauthorised access to information, computer systems and files?   | <input type="checkbox"/> | <input type="checkbox"/> |         |



| Internal Controls  | Yes   | No  | Comment |
|--|---|---|---------|
| <p><b>Adequacy of Internal Controls (continued)</b></p> <ul style="list-style-type: none"> <li data-bbox="328 349 943 383">• Timely reconciliation of accounts and balances?</li> <li data-bbox="328 416 1038 477">• All reconciliations reviewed and approved by a supervisor?</li> <li data-bbox="328 510 956 544">• Timely collection of moneys owed to the agency?</li> <li data-bbox="328 577 1038 638">• All reconciliations, balances, expense listings and payments reviewed for unusual and high value items?</li> <li data-bbox="328 672 1038 757">• Are appropriate processes in place to periodically assess compliance with legislation and key Government policies?</li> </ul> | <p style="text-align: center;"> <input data-bbox="1091 349 1115 383" type="checkbox"/><br/> <input data-bbox="1091 439 1115 472" type="checkbox"/><br/> <input data-bbox="1091 506 1115 539" type="checkbox"/><br/> <input data-bbox="1091 595 1115 629" type="checkbox"/><br/> <input data-bbox="1091 685 1115 719" type="checkbox"/> </p> | <p style="text-align: center;"> <input data-bbox="1195 349 1219 383" type="checkbox"/><br/> <input data-bbox="1195 439 1219 472" type="checkbox"/><br/> <input data-bbox="1195 506 1219 539" type="checkbox"/><br/> <input data-bbox="1195 595 1219 629" type="checkbox"/><br/> <input data-bbox="1195 685 1219 719" type="checkbox"/> </p> |         |

## Appendix G - Audit Committee Annual Work Plan

| Key Responsibilities             | Considerations  | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|----------------------------------|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Financial Reporting              | Review of financial reports   |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Review management compliance/representations  |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Review financial reporting timetable/plan   |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Review significant accounting and reporting issues e.g. Treasury's Financial Reporting Requirements |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Chair & Financial Expert to meet with preparer of financial reports                                 |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Update on significant issues re commitments and contingencies, unusual and/or material items/trends |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Update from external audit on audit findings  |     |     |     |     |     |     |     |     |     |     |     |     |
| External Audit (EA)              | Briefing from EA on review of financial reports, audit findings and follow up with management       |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Assess effectiveness of external audit  |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Chair and independent member meet with EA   |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Review EA 'client service plan' including audit timetable, staffing and audit fee                   |     |     |     |     |     |     |     |     |     |     |     |     |
| Internal Audit (IA)              | Review internal audit reports   |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Review performance and resourcing of IA   |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Review annual IA plan and IA Charter  |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Chair and independent member meet with IA   |     |     |     |     |     |     |     |     |     |     |     |     |
| Risk Management                  | Reports on significant risks  |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Presentation on risk framework/review risk registers  |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Monitor implementation of IA/EA recommendations   |     |     |     |     |     |     |     |     |     |     |     |     |
| Regulatory Compliance            | Review reports on legal and regulatory matters  |     |     |     |     |     |     |     |     |     |     |     |     |
| Internal Controls                | Review assurance map and issues register  |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Briefings from assurance providers e.g. IA/EA/Mgmt  |     |     |     |     |     |     |     |     |     |     |     |     |
| Effectiveness of Audit Committee | Review committee and member performance   |     |     |     |     |     |     |     |     |     |     |     |     |
|                                  | Review/confirm audit committee charter  |     |     |     |     |     |     |     |     |     |     |     |     |

Keynotes:

|  |                           |  |                          |
|--|---------------------------|--|--------------------------|
|  | = Audit Committee Meeting |  | = Major focus of meeting |
|--|---------------------------|--|--------------------------|

(Tip: an annual work plan should be tailored to the audit committee's Charter. A work plan is useful for agenda setting.)



| Financial Reporting  | Yes   | No  | Comment |
|--|---|---|---------|
| <p><b>Content of Financial Statements</b></p> <p>Were significant accruals or adjusting entries made as part of the year end accounting process?</p> <p>Have there been any significant post-balance date events that should be disclosed?</p> <p>Has the financial impact of any outstanding contractual or legal matters been identified and reflected in the financial statements?</p> <p>Has the financial impact of cross agency governance arrangements and any contractual matters been appropriately reflected in the financial statements?</p> <p>Have there been any irregularities or fraud during the year which could impact on the financial statements?</p> <p>Are the financial statements consistent with the audit committee's knowledge of the agency's 'business'?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |
| <p><b>Audit of the Financial Statements</b></p> <p>Did the actual scope of the audit differ from the pre-audit plans?</p> <p>Were any significant adjustments made to the financial statements as a result of the audit?</p> <p>Are there any significant areas of subjectivity in the financial statements?</p> <p>Is an unqualified audit opinion expected on the agency's financial statements?</p> <p>Has the management representation letter been completed and provided to external audit?</p> <p>Do any issues remain unresolved between management and external audit in relation to financial statement disclosures?</p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |

## Appendix I - Internal Audit Checklist

The audit committee generally acts as a forum for the internal audit function in respect of its planning, monitoring and reporting processes. The responsibilities of the audit committee should place emphasis on dealing with issues highlighted by internal audit rather than the detailed scrutiny of its day to day operations.

The following is a list of example questions that the audit committee could ask in its assessment of the internal audit function.

| Internal Audit   | Yes   | No  | Comment |
|--|---|---|---------|
| <p><b>Internal Audit Charter</b></p> <p>Does the Charter clearly describe the scope of work that internal audit will perform and provide appropriate authority for it to undertake its responsibilities?</p> <p>Does the Charter outline the reporting lines of internal audit, including direct access to the audit committee Chair?</p> <p>Is the Charter reviewed and updated on an annual basis?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |
| <p><b>Internal Audit Resources</b></p> <p>Does internal audit have enough resources to carry out its responsibilities, including completion of the approved work plan?</p> <p>Does internal audit have sufficient skills and expertise, including access to external assistance, to meet its responsibilities?</p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 |         |
| <p><b>Internal Audit Planning</b></p> <p>Does the internal audit plan take into account past internal and external audit activity, findings and recommendations?</p> <p>Is the proposed coverage in the internal audit plan linked to the agency's documented strategic and operational risks?</p> <p>Is the internal audit plan an appropriate mix between compliance and performance audits?</p>       | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |
| <p><b>Internal Audit Performance</b></p> <p>Does internal audit maintain effective liaison with external audit?</p> <p>Does internal audit perform annual self-assessments?</p>  | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 |         |

| Internal Audit  | Yes   | No  | Comment |
|---|---|---|---------|
| <p><b>Internal Audit Performance (continued)</b></p> <p>Where an internal self assessment has occurred, have all recommendations been implemented?</p> <p>Has an external quality assessment been performed?</p> <p>Where an external assessment has occurred, have all recommendations been implemented?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |
| <p><b>Executive Sessions with Internal Audit</b></p> <p>Has internal audit had full and unencumbered access to all agency records and information?</p> <p>Has internal audit received assistance and co-operation from agency staff and management?</p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 |         |

## Appendix J - External Audit Checklist

The audit committee has no power to direct the external audit function or to review the external auditor’s working papers and files. Rather, the audit committee acts as a forum for consideration of external audit findings to ensure they are balanced with the views of management.

The following is a list of example questions that the audit committee could use in its discussions with the external auditors.

| External Audit  | Yes   | No  | Comment |
|---|---|---|---------|
| <p><b>Audit Coverage</b></p> <p>Does external audit rely on the work of internal audit?</p> <p>Do external and internal audit consult regarding work plans to avoid overlap where possible?</p> <p>Does the proposed audit strategy address the key risk areas for the agency?</p>  | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 |         |
| <p><b>Relationships</b></p> <p>Does the Chair of the audit committee have open lines of communication with the external audit executive/partner and/or manager?</p> <p>Were there any issues with the review of the client strategy that impacted on the agency timeframes for reporting requirements?</p>  | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   |         |
| <p><b>Executive Session with External Audit</b></p> <p>Were any major unresolved problems encountered during the audit?</p> <p>Have any disagreements between management and external audit been discussed and resolved?</p> <p>Does external audit have any suggestions on how the work of the audit committee can be improved?</p> <p>Is external audit satisfied that their audit recommendations have been appropriately implemented?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |

## Appendix K - List of Applicable Legislation

The following is a list of State and Commonwealth legislation that may be applicable to agencies and could be provided to new audit committee members when providing them with details of the relevant key legislation that may impact on their role as an audit committee member.

This list is a guide only and is not complete as it does not include specific legislation that may apply to a particular agency. However, this information can be found on either the agency website, the relevant Commonwealth website or, for Queensland legislation, the Office of the Queensland Parliamentary Counsel website (<http://www.legislation.qld.gov.au>).

### Commonwealth Legislation

- *A New Tax System (Goods and Services Tax) Act 1999*
- *Competition and Consumer Act 2010*
- *Corporations Act 2001*
- *Fringe Benefits Tax Assessment Act 1986*
- *Privacy Act 1988*

### State Legislation

- *Acts Interpretation Act 1954*
- *Anti Discrimination Act 1991*
- *Associations Incorporation Act 1981*
- *Auditor-General Act 2009*
- *Crime and Misconduct Act 2001*
- *Financial Accountability Act 2009*
- *Financial Accountability Regulation 2009*
- *Financial and Performance Management Standard 2009*
- *Government Owned Corporations Act 1993*
- *Industrial Relations Act 1999*
- *Information Privacy Act 2009*
- *Public Interest Disclosure Act 2010*
- *Public Sector Ethics Act 1994 (and Agency Code of Conduct)*
- *Public Sector Ethics Regulation 2010*
- *Public Service Act 2008*
- *Public Service Regulation 2008*
- *Right to Information Act 2009*
- *Statutory Bodies Financial Arrangements Act 1982*
- *Statutory Instruments Act 1992*
- *Work Health and Safety Act 2011*

## Appendix L - Sample Agenda

**{ Organisation Letterhead }**

### **AGENDA**

{Agency name} Audit Committee meeting to be held on {date} at {venue and time}

### **Committee Members**

{List attendees and apologies – include name, state if Chair or secretary and if external or internal member}

### **Observers**

{List attendees and apologies – include name and position}

1. Welcome and apologies
2. Confirmation of Minutes
3. Declaration of Conflicts of Interest by Members of the Audit Committee and Observers
4. Issues Brought Forward from Previous Meeting
5. Reports to be tabled {refer to annual work plan}
  - Financial Reporting
  - External Audit
  - Internal Audit
  - Risk Management
  - Regulatory Compliance
  - Internal Control
6. Review of Audit Committee Charter {annual item}
7. Audit Committee Self Assessment {annual item}
8. Review annual work plan {to identify issues and prepare for next meeting}
9. Other Business
10. Next Meeting
11. Meeting Close

## Appendix M - Audit Committee Self Assessment Questionnaire

An audit committee should assess its performance and achievements against its charter on an annual basis. This can be done in a number of different ways including the use of an external facilitator, by the Chair during an evaluation discussion meeting with stakeholders, by having members complete the questions individually and/or anonymously or by having the questions completed by the committee as a whole. Regardless of the method chosen, the self assessment process should assist the committee to identify its strengths and weaknesses and recognise areas for future improvement. The results of the self assessment should be provided to the accountable officer or statutory body.

The following are examples of questions that could be asked on a self assessment questionnaire. However, it is not an exhaustive list of possible questions. The questions should be tailored to suit the particular needs and circumstances of the agency and should be based on the audit committee charter. The questions are intended to provide guidance to the audit committee when assessing the key roles, responsibilities and general effectiveness of the audit committee. Any weaknesses should result in an action plan to improve performance to an acceptable level.

| CRITERIA  | COMPLY<br>Yes/No<br>N/A | EVALUATION*<br>Poor 1 - Good 5              | ACTION REQUIRED |
|---|-------------------------|---|-----------------|
| <b>Charter</b><br>Is the charter reviewed at least annually?<br><br>Does the charter ensure the committee is sufficiently independent from the management of the agency?  |                         | 1 2 3 4 5<br><br>1 2 3 4 5                  |                 |
| <b>Authority and Independence</b><br>Is the committee able to request the attendance of all relevant employees at meetings and to obtain information it considers necessary?<br><br>Is the committee able to engage consultants or other external experts to assist its activities?<br><br>Does the committee have direct access to the external and internal auditors? |                         | 1 2 3 4 5<br><br>1 2 3 4 5<br><br>1 2 3 4 5 |                 |
| <b>Role</b><br>Has the role of the committee been clearly defined and communicated to all committee members?  |                         | 1 2 3 4 5                                   |                 |

\* An evaluation of 1 or 2 should result in action being taken



| CRITERIA  | COMPLY<br>Yes/No<br>N/A | EVALUATION<br>Poor 1 - Good 5                                       | ACTION REQUIRED |
|---|-------------------------|---|-----------------|
| <p>Does the committee ensure senior management accountability for risk management through the ongoing effectiveness of the risk management system?</p> <p>Does the committee review the resources provided for risk management to ensure they are adequate?</p>   |                         | <p>1 2 3 4 5</p> <p>1 2 3 4 5</p>                                   |                 |
| <p><b>Internal Control</b></p> <p>Is the committee aware of the internal control framework for major risk areas within the agency?</p> <p>Is the committee aware that the work of internal and external audit cannot be relied upon to detect control weaknesses, errors and other irregularities?</p> <p>Does the committee seek assurance from management that the internal control structure is adequate and effective?</p> <p>Are processes in place to assess, at least annually, whether policies/procedures are complied with (including the management and exercise of delegations)?</p>  |                         | <p>1 2 3 4 5</p> |                 |
| <p><b>Management Input</b></p> <p>Does the committee receive useful information from management (nature, clarify, quality and timeliness) in respect of:</p> <ul style="list-style-type: none"> <li>• risk identification and assessment, including the process to identify entity risks for possible financial reporting implications?</li> <li>• the internal control framework designed by management to identify and mitigate risks, including fraud risks?</li> <li>• arrangements established by management to ensure compliance with legislation and whole of government policy and internal policies?</li> <li>• financial reporting processes and requirements?</li> </ul> |                         | <p>1 2 3 4 5</p>  |                 |
| <p><b>Internal Audit</b></p> <p>Does the committee review and make recommendations to the accountable officer or statutory body about the internal audit plan?</p>  |                         | <p>1 2 3 4 5</p>  |                 |

| CRITERIA   | COMPLY<br>Yes/No<br>N/A | EVALUATION<br>Poor 1 - Good 5   | ACTION REQUIRED |
|--|-------------------------|---|-----------------|
| <p>Does the committee appropriately review and make recommendations to the accountable officer or statutory body on any significant changes to the internal audit plan?</p> <p>Does the committee review the resources provided for internal audit to ensure they are adequate?</p> <p>Does the audit committee review the internal audit report and recommendations to ensure appropriate action is being taken by management?</p> <p>Does the committee review the internal audit charter to ensure that appropriate structures, authority, access and reporting arrangements are in place?</p> <p>Does the committee consider the performance of internal audit?</p>  |                         | <p>1 2 3 4 5</p>                  |                 |
| <p><b>External Audit</b></p> <p>Does the committee inquire into the degree of coordination between external and internal audit to determine reasons for any material overlap of functions?</p> <p>Does the committee consider and understand the external audit plan?</p> <p>Does the committee review external audit reports and management letters and consider management responses to findings and recommendations?</p> <p>Does the committee provide input and feedback on external audit coverage and performance?</p> <p>Does the audit committee actively engage with the external auditors throughout the year?</p> <p>Does the committee monitor and review management's responses to external audit findings and recommendations to ensure appropriate action is taken?</p> |                         | <p>1 2 3 4 5</p> |                 |

| CRITERIA   | COMPLY<br>Yes/No<br>N/A | EVALUATION<br>Poor 1 - Good 5  | ACTION REQUIRED |
|--|-------------------------|--|-----------------|
| <p><b>Compliance</b><br/>Does the committee have a clear understanding of where responsibility lies for compliance with all of the relevant laws and regulations; and has this been documented in the Charter?</p> <p>Does the committee monitor compliance with relevant laws and regulations by the agency as a whole?</p>   |                         | <p>1 2 3 4 5</p> <p>1 2 3 4 5</p>  |                 |
| <p><b>Reporting</b><br/>Does the committee submit an annual report to the accountable officer or statutory body on its activities?</p> <p>Are the requirements of the Annual Report Requirements for Queensland Government Agencies included in the agency Annual Report?</p>  |                         | <p>1 2 3 4 5</p> <p>1 2 3 4 5</p>  |                 |
| <p><b>Membership</b><br/>Have all committee members been briefed on their roles and responsibilities in a Letter of Appointment?</p> <p>Is the Chair either external to the agency or a person internal to the agency who is independent of the areas within the audit committee's scope of review?</p> <p>Does the committee possess an appropriate mix of skills and knowledge and have at least one member who has:</p> <ul style="list-style-type: none"> <li>• 'financial expertise'?</li> <li>• 'risk management expertise'?</li> </ul> <p>Has the committee been sufficiently probing and challenging in its deliberations?</p> <p>Do committee members participate in some form of continuing education to stay abreast of changes in the financial accounting and reporting, regulatory and ethics areas?</p> |                         | <p>1 2 3 4 5</p> |                 |
| <p><b>Meetings</b><br/>Do all members attend and actively contribute at meetings?</p>  |                         | <p>1 2 3 4 5</p>   |                 |

| CRITERIA   | COMPLY<br>Yes/No<br>N/A | EVALUATION<br>Poor 1 - Good 5  | ACTION REQUIRED |
|--|-------------------------|--|-----------------|
| <p>Does the committee meet at the right time of the year to properly discharge its duties?</p> <p>Are audit committee meetings long enough to cover all agenda items?</p> <p>Are the committee agenda and supporting papers of sufficient clarity and quality to make informed decisions?</p> <p>Do the audit committee members participate in the development of an annual work plan and agenda to ensure that responsibilities are met?</p> <p>Is the agenda prepared and distributed to all members with sufficient background information and time for review in advance of the meeting?</p> <p>Are committee meetings well run and productive?</p> <p>Are committee minutes appropriately maintained and of good quality?</p> |                         | <p>1 2 3 4 5</p> |                 |
| <p><b>Relationships</b></p> <p>Does the committee meet privately with internal and external audit?</p> <p>Does the committee spend sufficient time discussing issues privately by itself?</p> <p>Does the committee have a productive working relationship with:</p> <ul style="list-style-type: none"> <li>• internal audit?</li> <li>• external audit?</li> <li>• management?</li> </ul>   |                         | <p>1 2 3 4 5</p> <p>1 2 3 4 5</p> <p>1 2 3 4 5</p>   |                 |
| <p><b>Other</b></p> <p>Does the committee have any suggestions to improve the committee's functioning, performance or processes?</p>   |                         |  |                 |

Reviewed by: .....

Tabled at Committee meeting on .....

## Appendix N - External Peer Review Checklist

An audit committee may elect to undergo an external peer review of its performance. The external peer review should be co-ordinated so that it is performed in conjunction with the Chair’s term of office. The external peer review would be performed by competent individuals with knowledge of the major risks faced by the agency, as well as an understanding of how audit committees operate. The focus of the review would be the processes and procedures undertaken by the audit committee, rather than the appropriateness of the decisions made.

The effectiveness indicators and questions are intended to provide guidance to the external peer review team when assessing the key roles, responsibilities and general effectiveness of the audit committee. The external peer review team should present their findings directly to the accountable officer or statutory body.

The following are examples of effectiveness indicators and questions that the external peer review team could use to assess the performance of the audit committee. The questions would be determined by the reviewer and should be tailored to suit the particular needs and circumstances of the agency.

Note: CEO – Chief Executive Officer or Accountable Officer, CFO – Chief Finance Officer, EA – External Audit

| RATING CRITERIA  | YES   | NO  | N/A   | COMMENT |
|--|---|---|---|---------|
| <p><b>Position in the Legal &amp; Governance Framework</b><br/>Is the agency’s governance framework clearly articulated?</p> <p>Are the audit committee’s functions and responsibilities clearly defined in its charter?</p> <p>Are the skills, experience and personal qualities of members considered when appointing to the committee?</p> <p>Does the committee seek input from the CEO periodically to ensure it continues to meet expectations?</p>  | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |
| <p><b>Audit Committee Roles &amp; Responsibilities</b><br/>Is the composition of the audit committee appropriate to the size, complexity and nature of the agency’s operational and control environment?</p> <p>Does the audit committee act as a forum for communication between CEO, senior management, external audit and internal audit?</p> <p>Is the workload of the committee focused on assisting the CEO to discharge his/her responsibilities?<br/>(for example, does it play an oversight role rather than perform ‘ad hoc’ functions?)</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 |         |

| RATING CRITERIA   | YES                      | NO                       | N/A                      | COMMENT |
|---|--------------------------|--------------------------|--------------------------|---------|
| Does the audit committee provide prompt, constructive and objective advice to the CEO where issues of material risk or threat to the agency are identified?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Risk Management</b></p> <p>Is there common membership between the risk management committee and the audit committee?</p> <p>If not, does the audit committee receive minutes or regular updates from the risk management committee?</p> <p>Does the agency have a framework to identify and manage financial and business risks, including fraud?</p> <p>Are mechanisms in place to ensure significant risks are reported to the CEO in a timely manner?</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Internal Control Framework</b></p> <p>Has the audit committee gathered information from management to evaluate the agency's internal control environment?</p> <p>Is there a system in place for assessing and continuously improving internal controls related to significant risks?</p> <p>Do controls exist to identify changes to design or implementation of internal controls?</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Financial Reporting</b></p> <p>Is the audit committee advised, on an ongoing basis throughout the year, of significant issues which may impact on the financial statements?</p> <p>If so, does the audit committee seek assurance from management that issues are adequately addressed in a timely manner?</p> <p>Does the committee review the financial statements, provide advice on action taken in response to audit recommendations and adjustments, and recommend the CEO sign the accounts?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |

| RATING CRITERIA  | YES                      | NO                       | N/A                      | COMMENT |
|--|--------------------------|--------------------------|--------------------------|---------|
| Does the audit committee review processes to ensure alignment between annual report and financial statements data?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Internal Audit</b></p> <p>Does a direct line of reporting exist between internal audit and the CEO?</p> <p>Do direct lines of communication exist between internal audit and the audit committee?</p> <p>Does the audit committee oversee and advise the CEO on the internal audit strategic and operational plans, and whether they are delivering a cost-effective audit cover?</p> <p>Does the audit committee monitor and critique management’s implementation of internal audit recommendations?</p> <p>Does the audit committee formally review the performance of internal audit annually?</p> <p>Does the audit committee invite internal audit to audit committee meetings when considered appropriate?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>External Audit</b></p> <p>Does the audit committee actively engage with EA throughout the year?</p> <p>Does the audit committee invite EA to audit committee meetings when considered appropriate?</p> <p>Does the audit committee have input into the agency’s responses to proposed and final performance or special audit reports?</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Legislative and Regulatory Compliance</b></p> <p>Does the audit committee monitor the agency’s consideration and implementation of Finance and Administration Committee, Crime &amp; Misconduct Commission, Ombudsman and other external reports and recommendations?</p> <p>Does the audit committee review systems for monitoring compliance with relevant laws, regulations and associated government policies?</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |

| RATING CRITERIA   | YES                      | NO                       | N/A                      | COMMENT |
|---|--------------------------|--------------------------|--------------------------|---------|
| <p>Are cross-agency governance arrangements in place, and if so, are they appropriate and adequate?</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Membership of the Audit Committee</b><br/>                     Is the Chair of the audit committee either external to the agency or a person internal to the agency who is independent of the areas within the audit committee's scope of review?</p> <p>Is the Chair of the audit committee appointed by the CEO based on relevant skills/experience?<br/>                     (i.e. ability to lead discussion, knowledge of business, committed to continuous improvement, etc.)</p> <p>Does the audit committee membership exclude officers of the agency who undertake an executive role in areas subject to the audit committee's scope of review?</p> <p>Can the audit committee act independently of line management and bring objectivity to its deliberations?</p> <p>Are the CEO/CFO invited to attend meetings as observers?</p> <p>Do all audit committee members have direct access to the CEO and free access to anyone in the agency?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Induction of the Audit Committee Members</b><br/>                     Is there a formal process to induct new members to provide them with sufficient briefings and information to understand their responsibilities and the expectations of the CEO and the Chair of the audit committee?</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <p><b>Continuing Education of Audit Committee Members</b><br/>                     Is further education of the audit committee and individual members provided in areas such as risk management, legal compliance and financial reporting?</p> <p>Has the audit committee requested presentations from management on specific topics to improve understanding?</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |

| RATING CRITERIA  | YES   | NO  | N/A   | COMMENT |
|--|---|---|---|---------|
| <p><b>Rotation of Audit Committee Members</b><br/>                     Is there a staggered approach to rotation of members to prevent significant reduction in knowledge/skills base at any one time?</p> <p>Is any extension of tenure on the audit committee approved only after the member's performance has been assessed?</p>  | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   |         |
| <p><b>Key Relationships</b><br/>                     Does the audit committee seek a briefing, at least once a year, from the CEO on strategic internal and external developments impacting on the agency?<br/>                     (e.g. emerging risks, significant projects, legislative changes and major policy developments)</p> <p>Does the audit committee contribute to strong relationships with management by having senior managers attend meetings as an observer, if appropriate, and provide senior managers with a copy of the minutes of all audit committee meetings?</p> <p>Does the audit committee have an executive session with the agency staff who prepare financial reports to facilitate frank and open discussions?</p> <p>Does the audit committee schedule an executive session with external audit to ask questions and seek feedback without management present?</p> <p>Does the audit committee have an executive session with internal audit at scheduled meetings during the year to allow open communication without management present?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |         |
| <p><b>Conduct of the Audit Committee</b><br/>                     Does the audit committee have an annual work plan of items for discussion to ensure all requirements of the Charter receive coverage?</p> <p>Do the minutes contain sufficient information to allow an assessment of the effectiveness of the audit committee to be made?</p> <p>Does the audit committee focus on the most relevant risks as highlighted by internal and external audit functions?</p>  | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>   |         |

| RATING CRITERIA   | YES  | NO   | N/A  | COMMENT |
|---|--|--|--|---------|
| <p>Is the audit committee's role and activities reported in the agency's annual report?</p> <p>Does the audit committee disclose and effectively deal with conflicts of interest? (E.g. is a conflicts of interest register maintained? Are conflicts of interest disclosed as a standing agenda item?)</p> <p>Do audit committee member obtain access to, and if applicable, training on the agency's code of conduct?</p> <p>Do audit committee members receive all the committee papers in sufficient time prior to each meeting to enable them to be thoroughly reviewed?</p>   | <input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/>                                 | <input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/>                                 | <input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/>                                 |         |
| <p><b>Assessment of Committee Performance</b></p> <p>Does the audit committee undergo an annual self assessment?</p> <p>If the audit committee does not undergo an annual self assessment, has the accountable officer or statutory body evaluated the need for a self assessment?</p> <p>Does the audit committee periodically undergo an external review? (e.g. in line with the Chair's term of office)</p> <p>If the audit committee does not periodically undergo an external review, has the accountable officer or statutory body assessed the need for an external peer review?</p> <p>Does the audit committee annually review its Charter and its achievement against that Charter?</p> | <input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/> | <input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/> | <input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/><br><br><input type="checkbox"/> |         |
| <p><b>Assessment of Member Performance</b></p> <p>Is there a formal evaluation process of the performance of individual members?</p> <p>Are individual members provided with feedback and access to additional training to address performance issues?</p>  | <input type="checkbox"/><br><br><input type="checkbox"/>   | <input type="checkbox"/><br><br><input type="checkbox"/>   | <input type="checkbox"/><br><br><input type="checkbox"/>   |         |

Reviewed by: .....

Tabled at Committee meeting on .....

## Appendix O - Sample Management Feedback Questionnaire

An audit committee may elect to seek feedback on its performance from the agency's senior management. This could be from the accountable officer/statutory body or a board of management.

The following is a list of example questions that the audit committee could use to seek feedback from management.

| Criteria   | Yes                      | No                       | N/A                      | Comment |   |
|--|--------------------------|--------------------------|--------------------------|---------|---|
| <p>Are communications to you about the committee's deliberations and activity of an appropriate quality?</p> <ul style="list-style-type: none"> <li>• Minutes</li> <li>• Verbal briefings</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |   |
| <p>Are you well informed, on a sufficiently timely basis, of the committee's deliberations and activity?</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |   |
| <p>Do you consider the committee adds value to you and the department?</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |   |
| <p>How would you assess the committee's overall performance? (poor 1 – good 5)</p>   | 1                        | 2                        | 3                        | 4       | 5 |
| <p>Do you have any suggestions to improve the committee's functioning, performance or processes?</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |   |

## Appendix P – Links to Useful Websites

The following is a list of links to websites which may be of use to the audit committee.

### Audit Committee Toolkits & Publications

- **Australian National Audit Office – Public Sector Audit Committees – Independent Assurance and Advice for Chief Executives and Boards**  
<http://www.anao.gov.au/Publications/Better-Practice-Guides>
- **KPMG – Audit Committee Institute**  
<http://www.kpmg.com.au/aci/about.htm>
- **American Institute of CPA – Audit Committee Toolkit**  
<http://www.aicpa.org/catalogs/masterpage/Search.aspx?D=4294963876:4294963862||1>
- **Deloitte – Centre for Corporate Governance**  
<http://www.corpgov.deloitte.com/site/caneng/>
- **PricewaterhouseCoopers – Audit committees: Good practices for meeting market expectations**  
[http://www.pwc.com/gx/en/ifrs-reporting/pdf/audit\\_committees\\_2nd\\_ed.pdf](http://www.pwc.com/gx/en/ifrs-reporting/pdf/audit_committees_2nd_ed.pdf)

### Risk Management Publications

- **Queensland Treasury – Financial Management Framework**  
<http://www.treasury.qld.gov.au/office/knowledge/docs/financial-management-framework/index.shtml>
- **Queensland Treasury – A Guide to Risk Management**  
<http://www.treasury.qld.gov.au/office/knowledge/docs/risk-management-guide/index.shtml>
- **Chartered Accountants of Canada – Risk Oversight and Governance**  
<http://www.rmgb.ca/>

### Internal Control Publications

- **Queensland Treasury – Financial Accountability Handbook**  
<http://www.treasury.qld.gov.au/office/knowledge/docs/financial-accountability-handbook/index.shtml>
- **The Committee of Sponsoring Organisations of the Treadway Commission – Internal Control Guidance**  
<http://www.coso.org/guidance.htm>

### Performance Management Publications

- **Department of the Premier and Cabinet – Guide to the Performance Management Framework**  
<http://www.premiers.qld.gov.au/publications/categories/guides/perf-manage-framework.aspx>

### Remuneration of External Audit Committee Members

- **Remuneration of Part-Time Chairs and Members of Government Boards and Committees**  
<http://www.justice.qld.gov.au/fair-and-safe-work/industrial-relations/queensland-government-employees/policies/remuneration-of-part-time-chairs-and-members-of-government-boards-committees-and-statutory-authorities>

## Assessment of Audit Committee Performance

- **American Institute of CPA – Audit Committee Effectiveness**  
<http://www.aicpa.org/ForThePublic/AuditCommitteeEffectiveness/AuditCommitteeBrief/DownloadableDocuments/Self%20Evaluation.pdf>
- **UK National Audit Office – Audit Committee Self Assessment Checklist**  
[http://www.nao.org.uk/help\\_for\\_public\\_services/financial\\_management/audit\\_committees.aspx](http://www.nao.org.uk/help_for_public_services/financial_management/audit_committees.aspx)
- **Deloitte – Audit Committee Performance Evaluation**  
<http://www.corpgov.deloitte.com/site/us/audit-committee/performance-evaluations/>

## Other Publications and Websites

- **ASX – Corporate Governance**  
[http://www.asx.com.au/about/corporate\\_governance/index.htm](http://www.asx.com.au/about/corporate_governance/index.htm)
- **Institute of Internal Auditors – Australia**  
<http://www.iaa.org.au/>

If your agency has any questions concerning the Audit Committee Guidelines, please contact the Treasury Analyst for your agency.

Alternatively, email the Financial Management Helpdesk with details of your query and a response will be provided by the Financial Management Branch of Queensland Treasury and Trade:

Email: [fmhelpdesk@treasury.qld.gov.au](mailto:fmhelpdesk@treasury.qld.gov.au)