

# Factsheet: Audit Committee Work Plan

## What is an Audit Committee?

An audit committee is a committee of a board of directors or, in the absence of a board, an advisory committee for the governing authority (organisation head), operating under delegation of authority. Its objectives should be clearly defined and documented in a charter or terms of reference, and its efficiency and effectiveness measured by reference to its objectives. An independent audit committee is a fundamental component of good corporate governance and typically:

- › Focuses on issues relevant to the integrity of an organisation's financial reporting.
- › Oversees external audit, internal audit, governance, risk management, internal control and compliance.
- › Liaises with the board, internal auditors, external auditors and management.

Some organisations establish one committee with responsibility for all these tasks, such as an audit and risk management committee. Larger entities may establish more than one committee, such as an audit committee, a risk and compliance committee, health and safety committee, and an environmental committee, depending on the nature and extent of the organisation's operations.

## Scope of Work

Some audit committees adopt a 'minimalist' approach and focus on a small range of activities such as financial statements, external audit, risk management and internal audit. Often a lot of time is put into examining management progress to implement audit actions from the external audit management letter and internal audit reports.

The audit committee plays a key role assisting the organisation to fulfil its corporate governance and oversight responsibilities in areas including:

- › Governance structure and processes.
- › Risk management structure and processes.
- › Controls activities.
- › Financial management, accounting policies, financial statements and annual reporting.
- › External audit.
- › Internal audit.
- › Compliance.

- › Implementation of audit and other review recommendations.
- › Ethics and organisation culture.
- › External accountability.
- › Fraud and corruption control.
- › Business continuity management including ICT disaster recovery arrangements.
- › Security including physical security, cybersecurity and ICT security.
- › Legal issues.
- › Complaint management.
- › Organisation performance and management reporting.
- › Work health safety
- › Environmental management.
- › Major projects and business initiatives.
- › Regulator activities.
- › Response to significant government enquiries such as Royal Commissions.

This range of governance and assurance activities should be addressed by an audit committee. Even when other committees such as a risk committee have particular responsibility for some of these activities, the audit committee should ensure it is informed about all of them.

## How to Cover the Scope of Work?

Most audit committees schedule four meetings each year. Some audit committees schedule an additional meeting to review the financial statements and external audit report and opinion. An audit committee should establish the frequency and timing of its meetings to ensure it adequately addresses its responsibilities.

Obviously, an audit committee cannot examine every governance and assurance activity at every meeting. Plus, there will be some activities that should be examined at most meetings such as:

- › Risk management strategic risks update
- › Regular financial reports
- › Internal audit plan progress
- › Internal audit reports

- › Management progress to implement external audit and internal audit actions
- › ICT performance
- › Fraud, corruption, misconduct

## What is an Audit Committee Work Plan?

An audit committee work plan is what will be covered by an audit committee over a period of time – usually annually.

Many audit committees have a structured approach to cover the scope of work which is outlined in a formal work plan. There are generally two types:

- › Audit committee work plan – This is a detailed schedule of all activities the audit committee will cover over the year showing what will be covered at each meeting. These are often split into specific focus areas such as:
  - › Financial reporting
  - › Performance reporting
  - › System of risk oversight and management
  - › System of internal control
  - › Audit committee governance

Audit Committee Charter Responsibility				Meetings				
				Financial Statements Meeting Q1 (Aug-Sep)	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
<b>Financial Reporting</b>								
Annual financial statements and management representations	Review the financial statements and provide advice and recommend their signing by the Chairperson	Review annual financial statements preparation plan and progress realisation	Twice per year	X			X	
		Review annual financial statements	Annually	X				
		Review external audit closing report and Committee only meeting with external auditor	Annually	X				
	Include whether appropriate action has been taken in response to audit recommendation and adjustments.	Review Chief Finance Officer report and sign-off annual financial statements including status of external audit findings	Annually	X				
Management representations	Review financial statement management letter and supporting management representations	Annually	X					

Source: Audit and Risk Committee – Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS)

- › Audit committee meeting planner – Where there is a detailed work plan, this will be a snapshot (plan on a page) showing:
  - › Standard agenda items – Items that should be examined at every or most audit committee meetings.
  - › Special agenda items – Items that can generally be spread over the year and examined once per year. This means the internal audit plan would be tabled prior to start of the financial year so it can be approved and ready to launch in the new financial year. Likewise, the annual financial statements and external audit report would be scheduled in the first meeting after financial year close.

Audit Committee Annual Meeting Planner

<date>

Jan	Feb	March	April	May	June	July	August	September	October	November	December
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Meeting 1	Meeting 2	Meeting 3	Meeting 4
<p><b>Standard Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Refer below</li> </ul> <p><b>Special Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Risk management</li> <li>&gt; Private meeting with chief risk officer</li> <li>&gt; Legal issues</li> <li>&gt; Complaint management</li> <li>&gt; Work health, safety</li> <li>&gt; Major projects, business initiatives – ICT and non-ICT</li> <li>&gt; Response to government enquiries, auditor-general reports, etc</li> <li>&gt; Regulators, external accountability</li> </ul>	<p><b>Standard Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Refer below</li> </ul> <p><b>Special Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Governance</li> <li>&gt; Controls</li> <li>&gt; Procurement integrity</li> <li>&gt; Compliance</li> <li>&gt; Private meeting with chief compliance officer</li> <li>&gt; Internal audit plan</li> <li>&gt; Private meeting with chief audit executive</li> <li>&gt; Review internal audit charter, audit committee charter</li> </ul>	<p><b>Standard Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Refer below</li> </ul> <p><b>Special Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Financial management, accounting policies, financial statements, annual reporting</li> <li>&gt; External audit</li> <li>&gt; Organisation performance reporting</li> <li>&gt; Private meeting with external auditor</li> <li>&gt; Internal audit annual report, various assurance annual reports</li> <li>&gt; Audit committee annual report</li> </ul>	<p><b>Standard Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Refer below</li> </ul> <p><b>Special Agenda Items</b></p> <ul style="list-style-type: none"> <li>&gt; Ethics, organisation culture</li> <li>&gt; Fraud, corruption, misconduct</li> <li>&gt; Business continuity and resilience management including ICT disaster recovery arrangements</li> <li>&gt; Security including physical security, cybersecurity, ICT security</li> </ul>
<p>Standard Agenda Items – All Meetings</p>			
<p><b>Welcome and apologies</b></p> <ol style="list-style-type: none"> <li>1. Welcome and apologies</li> <li>2. Confirmation of agenda</li> <li>3. Conflict of interest declarations</li> </ol> <p><b>Committee arrangements</b></p> <ol style="list-style-type: none"> <li>4. Audit committee charter / Audit committee annual work plan</li> </ol>	<p><b>Minutes of previous meeting</b></p> <ol style="list-style-type: none"> <li>5. Minutes of previous meeting</li> <li>6. Matters arising</li> </ol> <p><b>Presentation</b></p> <ol style="list-style-type: none"> <li>7. One executive management presentation on business area, risks, issues, projects</li> </ol> <p><b>Finance report</b></p> <ol style="list-style-type: none"> <li>8. Financial report, statement of financial controls, significant and emerging issues, changes to reporting requirements, budget progress, breach reporting</li> </ol>	<p><b>Internal audit</b></p> <ol style="list-style-type: none"> <li>9. Internal audit plan progress, internal audit reports</li> </ol> <p><b>Implementation of recommendations</b></p> <ol style="list-style-type: none"> <li>10. 1External audit</li> <li>11. Internal audit</li> <li>12. Other review activities</li> </ol>	<p><b>Other reports</b></p> <ol style="list-style-type: none"> <li>13. Risk management strategic risks update</li> <li>14. ICT</li> <li>15. External audit</li> <li>16. Fraud, corruption, misconduct</li> </ol> <p><b>Other business</b></p> <ol style="list-style-type: none"> <li>17. Meeting summary points for board / governing authority</li> <li>18. Other business</li> <li>19. Next meetings</li> </ol>



Source: The Institute of Internal Auditors-Australia

## Conclusion

An audit committee without a formal work plan:

- › Is operating in an ad hoc way and does not have a structured approach to its work.
- › Will not know it has covered the range of governance and assurance activities it should be covering to do its job properly.
- › Will generally have its agenda determined by management – an audit committee should be setting its own agenda.

## Useful References

Auditing and Assurance Standards Board, Australian Institute of Company Directors and the Institute of Internal Auditors-Australia, 2017. *Audit Committees: A guide to good practice*. 3rd ed.

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