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# Audit Committee Maturity Assessment

# 6 Pillars of 'Best in Class' Audit Committees

## Membership and Capability

- External chair and members; no internal members.
- Equipped to think and operate strategically.
- Limited term appointments which are staggered.
- Members collectively have skills and experience of the organisation's risk areas and business functions.
- One member is a financial statements expert.

## Role and Responsibilities

- Role (and boundaries with related entities) clearly defined.
- Defined responsibilities comprehensive and aligned to all strategic and risk areas – not limited to financial statements.
- Covers governance, risk and compliance frameworks.
- Attuned to emerging risk areas and business practices.
- Scope encourages innovation and improvement of practices.

## Professional Practices

- Written charter approved by the governing body; reviewed and updated annually.
- Clear independence of mind and practice.
- Positioning promotes independence and agility.
- Regular scheduled meetings with the governing body, chief executive officer, external auditor, and head of internal audit.

## Performance and Accountability

- Defined performance measures.
- Annual review of audit committee performance.
- Proactive approach that uses experience of members to improve organisation governance and performance.
- Models the values and desired culture of the entity.
- Aligned to strategic mission of the entity.
- Delivers annual report on outcomes to the governing body.

## Organisation Relationships

- Audit committee independence promoted.
- Access to the governing body, chief executive officer, and senior management.
- Wisdom and counsel provide mentoring to C-suite.
- Offers strategic solutions as a trusted partner.
- Audit committee promoted in entity-wide communications.

## Governance and Reporting

- Effective secretariat independent of management.
- Written and approved forward work plan, including comprehensive program of activities, which is reviewed and updated annually.
- Written minutes circulated promptly after meetings.
- Action items clearly articulated and followed-up.

# Audit Committee Delivery



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	Membership and Capability	Role and Responsibilities	Professional Practices	Performance and Accountability	Organisation Relationships	Governance and Reporting
<b>Optimising</b>	<ul style="list-style-type: none"> <li>Membership (voting) comprises only experienced and well-credentialed non-executive members, chair and deputy chair.</li> <li>Representative/s of the governing body (if applicable) as voting Members.</li> <li>Members collectively have skills, experience, expertise and strategic nous matched to business activities.</li> <li>Appointments staggered to ensure continuity and clear succession of leadership.</li> <li>Blended induction process for new members (discussions, presentations, site visits, documentation).</li> <li>Cap on length of membership duration.</li> </ul>	<ul style="list-style-type: none"> <li>Role and responsibilities well-defined in charter approved by governing body (if applicable) and chief executive officer.</li> <li>Charter reviewed and updated annually.</li> <li>Clear boundaries for coverage of related or subsidiary entities.</li> <li>Role and responsibilities comprehensive, aligned to the organisational strategies; innovation and improvement ideals; emerging risks and business practices; and cover financial and non-financial operations.</li> <li>Coverage of governance, risk and compliance frameworks.</li> <li>No executive or managerial powers.</li> </ul>	<ul style="list-style-type: none"> <li>At least four meetings per year.</li> <li>Attendance of close to 100% expected.</li> <li>Comprehensive well-structured committee forward work plan.</li> <li>Members operate collegially, underpinned by agility and independence of mind and practice.</li> <li>Private meetings scheduled at least annually with head of internal audit without management present, complemented with periodic informal meetings with chair.</li> <li>Private meetings at least annually with external auditor without management present.</li> <li>Private meetings with executive managers / C-suite members without other management present.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes prepared and disseminated quickly.</li> <li>Attendance is monitored.</li> <li>Action items proactively followed-up and addressed promptly.</li> <li>Accountability requirements defined in charter, including qualitative and quantitative performance measures.</li> <li>Annual self-assessment by members.</li> <li>Periodic, independent assessment of committee performance.</li> <li>Committee models the values and desired culture of the entity through its behavior and messaging.</li> <li>Activities are aligned to the strategic mission of the organisation.</li> <li>Specific code of conduct requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Committee chair has open access to governing body chair (if applicable), and they meet regularly.</li> <li>Committee chair has open access to chief executive officer, and they meet at pre-determined intervals.</li> <li>Committee access to executive management encouraged.</li> <li>Committee access to independent, expert advice.</li> <li>Development of C-suite members provided incidentally through wisdom and counsel style of mentoring.</li> <li>Acts as a strategic partner to offer strategic solutions.</li> <li>Organisational awareness of committee's role through periodic staff publications.</li> </ul>	<ul style="list-style-type: none"> <li>Independence safeguards.</li> <li>Conflict of interest procedure.</li> <li>Committee has open access to organisation personnel.</li> <li>Committee has dedicated secretariat resources trained who are trained and/or credentialed in the role.</li> <li>Clearly articulated action items and important auditor recommendations are dealt with thoroughly.</li> <li>Formal report on key issues from meetings delivered to governing body (if applicable) and chief executive officer after each meeting.</li> <li>Annual report on committee outcomes delivered to governing body (if applicable) and chief executive officer.</li> </ul>
<b>Managed</b>	<ul style="list-style-type: none"> <li>Membership (voting) comprises majority of non-executive members and chair.</li> <li>Representative/s of the governing body (if applicable) as voting members.</li> <li>Members collectively have skills, experience and business acumen matched to organisation activities.</li> <li>Structured process for staggering of appointments to ensure continuity.</li> <li>Structured induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>Role and responsibilities clearly and unambiguously defined in approved charter.</li> <li>Charter reviewed and updated periodically.</li> <li>Role and responsibilities included in charter, and are largely operational in nature.</li> <li>Incidental coverage of governance, risk and compliance frameworks.</li> <li>No executive or managerial powers.</li> </ul>	<ul style="list-style-type: none"> <li>At least four meetings per year.</li> <li>Quorum always achieved and maintained.</li> <li>High-level committee forward work plan.</li> <li>Committee members usually in agreement.</li> <li>May be private meetings scheduled at least annually with head of internal audit and external auditor without management present.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes and attendance records kept.</li> <li>Action items followed-up in a reasonable timeframe.</li> <li>Accountability requirements defined in charter, including performance measures.</li> <li>Annual self-assessment by members.</li> <li>Committee aware of organisational values and desired culture.</li> <li>Some strategic alignment.</li> </ul>	<ul style="list-style-type: none"> <li>Committee chair has open access to governing body chair (if applicable), and they meet periodically.</li> <li>Committee chair has access to chief executive officer.</li> <li>May be committee access to executive management.</li> <li>Members of C-suite benefit from attending committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Independence safeguards.</li> <li>Conflict of interest procedure.</li> <li>Committee has access to organisation personnel.</li> <li>Committee has experienced secretariat resources provided.</li> <li>Action items and recommendations are discussed.</li> <li>Report on key issues from meetings delivered to governing body (if applicable) or chief executive officer at discretion of committee chair.</li> <li>Periodic report prepared on committee activities.</li> </ul>

# Audit Committee Maturity Assessment continued

	Membership and Capability	Role and Responsibilities	Professional Practices	Performance and Accountability	Organisation Relationships	Governance and Reporting
<b>Implemented</b>	<ul style="list-style-type: none"> <li>Membership comprises independent members and independent chair.</li> <li>Representative/s of the governing body (if applicable) as voting members.</li> <li>Members collectively have skills and experience matched to organisation activities.</li> <li>Some staggering of appointments to ensure continuity.</li> <li>Documentation-based induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>Role and responsibilities clearly defined in charter, with a clear financial focus.</li> <li>Charter may not be approved, or periodically reviewed and updated.</li> <li>Incidental coverage of some elements of governance, risk and compliance.</li> </ul>	<ul style="list-style-type: none"> <li>At least four meetings per year.</li> <li>Quorum usually achieved.</li> <li>Summary-level committee forward work plan.</li> <li>Committee members can appear to be fixed in their ways.</li> <li>May be ad hoc private meetings with head of internal audit and external auditor without management present.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes and attendance records kept.</li> <li>Action items followed-up; may take some time.</li> <li>Accountability requirements defined in Charter, including performance measures.</li> <li>Annual self-assessment by members.</li> <li>Focus on hard controls.</li> <li>Operational alignment.</li> </ul>	<ul style="list-style-type: none"> <li>Committee chair has open access to governing body chair (if applicable), and they meet occasionally.</li> <li>Committee chair has access to chief executive officer.</li> <li>May be committee access to executive management.</li> <li>Members of C-suite see little benefit in attending committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Independence safeguards.</li> <li>Conflict of interest procedure.</li> <li>Committee has access to organisation personnel.</li> <li>Committee secretariat resources provided.</li> <li>Action items are considered.</li> <li>Report prepared on committee activities and emerging issues when requested.</li> </ul>
<b>Defined</b>	<ul style="list-style-type: none"> <li>Membership comprises some independent members and chair.</li> <li>Representative/s of the governing body (if applicable) as voting members.</li> <li>Members predominantly have financial skills and experience.</li> <li>Appointments are for same or similar terms.</li> <li>Ad hoc induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>Narrow role and responsibilities, loosely defined in a terms of reference.</li> <li>Coverage is largely financial focused.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings held on an ad hoc basis.</li> <li>Quorum not monitored.</li> <li>Narrow, low-level focus on matters for discussion.</li> <li>May be a forward work plan, which may not be comprehensive.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes and attendance records may be kept.</li> <li>Action items may be followed-up at some time.</li> <li>Accountability requirements not defined in charter.</li> <li>No performance measures or assessment process.</li> <li>Financial controls focus.</li> </ul>	<ul style="list-style-type: none"> <li>Committee chair may have access to governing body chair (if applicable), and executive management.</li> <li>Members of C-suite do not attend committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>May be conflict of interest procedure.</li> <li>Committee may have access to selected organisation personnel.</li> <li>Limited secretariat resources provided.</li> </ul>
<b>Initial</b>	<ul style="list-style-type: none"> <li>Membership might not include independent persons.</li> <li>Membership may include internal members.</li> <li>Independent members are a minority of full committee.</li> <li>No meaningful induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>No committee charter.</li> <li>Role and responsibilities not defined, but expected to be financial in nature.</li> <li>Indeterminable executive or managerial powers.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting schedule not set.</li> <li>No quorum defined.</li> <li>Minimal discussion, with focus on finishing the meeting quickly.</li> <li>No forward work plan.</li> <li>No private meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes may be kept, perhaps not in a consistent manner.</li> <li>Accountability requirements not defined in charter.</li> <li>No performance measures or assessment process.</li> </ul>	<ul style="list-style-type: none"> <li>Committee chair has limited or no access to governing body chair (if applicable), and executive management.</li> <li>Members of C-suite have no visibility of committee or its activities.</li> </ul>	<ul style="list-style-type: none"> <li>No conflict of interest procedure.</li> <li>Limited access to organisation personnel.</li> <li>May be committee secretariat resources, which may be constrained by other duties.</li> </ul>