

Audit Committee Institute



Audit committee meeting agenda

The FRC appointed group chaired by Sir Robert Smith recently published *Audit Committees Combined Code Guidance – A report and proposed guidance* (Smith Report). As a result of this and other governance initiatives, audit committees are now focusing more on their roles and responsibilities, including the effectiveness and efficiency of their audit committee meetings.



Audit committee chairmen, in consultation with the company secretary, should determine the frequency and timing of its meetings. Audit committee meetings are generally timed to meet financial reporting and audit cycles. There should be as many meetings as the audit committee's role and responsibilities require. The number of meetings and their duration should vary depending on the range and complexity of the issues under consideration.

While formal meetings are at the heart of the audit committee's work, they will rarely be sufficient. It is expected that audit committee members will keep in touch on a continuing basis with the key people involved in the company's governance. In particular, it is often helpful for audit committee chairmen to meet with the external auditor some time before the final audit meeting and communicate matters of concern to other audit committee members.

Sufficient time should be allowed to enable the audit committee to undertake as full a discussion as may be required. A sufficient interval should be allowed between audit committee meetings and full board meetings to allow any work arising from the audit committee meeting to be carried out and reported to the board as appropriate. Where it is impractical to schedule sufficient time between audit committee and board meetings, it may be more suitable to discuss key issues informally in advance of the audit committee meeting.

Overleaf is an example of some issues that can be covered in each audit committee meeting. It is assumed that the company has a December year-end and has scheduled four audit committee meetings during the year. Of course, this agenda should be tailored to the individual circumstances of the company.

Audit committee meeting agenda – a guide

| | Scheduled meetings | | | |
|---|--------------------|---------------|--------------------|--------------------|
| | April / May | July / August | October / November | January / February |
| Constitution | | | | |
| Review audit committee's terms of reference | ■ | | | |
| Review code of conduct | | ■ | | |
| Assess independence and financial literacy skills and experience of members | | | ■ | |
| Establish number of meetings for the forthcoming year | | ■ | | |
| Audit committee chair to establish meeting agenda and attendees required | ■ | ■ | ■ | ■ |
| Enhance financial literacy - update on current financial events | ■ | ■ | ■ | ■ |
| Assessment of financial information (discuss with management and external auditors where applicable) | | | | |
| Review and recommend approval of annual financial statements | | | | ■ |
| Review and recommend approval of half year financial statements | | ■ | | |
| Review and recommend approval of quarterly financial information | ■ | | ■ | |
| External auditors | | | | |
| Recommend appointment and review performance | ■ | | | |
| Approve audit fees and terms of engagement | | ■ | | |
| Consider policy in relation to non-audit services | ■ | | | |
| Consider objectivity/independence and obtain confirmation from auditor | ■ | | ■ | |
| Review audit plan and scope of audit work | | ■ | | |
| Review external audit findings | | ■ | | ■ |
| Discuss appropriateness of accounting policies, estimates and judgements | ■ | ■ | ■ | ■ |
| Discuss external auditors views on control environment including fraud risk management | ■ | ■ | ■ | ■ |
| Discuss with auditor in absence of executives and management | ■ | ■ | ■ | ■ |
| Ongoing communication (written/oral) of external auditor with audit committee | ■ | ■ | ■ | ■ |
| Internal auditors | | | | |
| Where no internal audit function, consider the need for an internal audit function | | | ■ | |
| Recommend appointment and review performance | | | ■ | |
| Review internal audit plan | | | ■ | |
| Review significant internal audit reports and findings | ■ | ■ | ■ | ■ |
| Review progress on actions taken in response to the committee's representations | ■ | ■ | ■ | ■ |
| Discuss with auditor in absence of executives and management | ■ | ■ | ■ | ■ |
| Other responsibilities | | | | |
| Consider financial risks and internal controls (and other controls if applicable) | ■ | ■ | ■ | ■ |
| Review progress on actions taken in response to the representations of the auditors | ■ | ■ | ■ | ■ |
| Review whistle blowing arrangements | ■ | | | |
| Review legal and compliance developments | ■ | ■ | ■ | ■ |
| Review report to shareholders on role and responsibilities of the committee | | | | ■ |
| Perform self-assessment of audit committee performance | | | ■ | |
| Review financial personnel succession planning | | ■ | | |
| Review director and officer expenses and related party transactions | ■ | | | |
| Conduct special investigations and perform other activities as appropriate | ■ | ■ | ■ | ■ |
| Maintain minutes and report to board | ■ | ■ | ■ | ■ |

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|---|--------------------|
| ■ | Recommended timing |
| ■ | As Required |

If you would like further information on any of the matters discussed in this publication, please talk to your usual contact at KPMG UK or contact:

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Further material is available on the Audit Committee Institute website:
www.kpmg.com/aci/uk/home.html