



Audit Committee Forum

Position Paper 3

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Guidelines for the audit committee chairperson



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Introduction

The scope of this position paper focuses on how the chairperson of the audit committee can prepare for audit committee meetings. It is not intended to be an exhaustive or mandatory set of procedures, and should be applied in a manner that befits an entity's circumstances.

The activities of the audit committee chairperson can be categorised into the following:

- Pre audit committee meeting consultation.
- Identification of issues.
- Preparation for the audit committee meeting.
- Communication (during and after the audit committee meeting).

Pre audit committee meeting consultation

The chairperson of the audit committee sets the standards and the values by which the audit committee will operate.

In order for the chairperson of the audit committee to:

- identify the issues for audit committee coverage;
- ascertain the contents of reports;
- set the agenda;
- determine the attendees and the topics they are to address – the audit committee normally consists of three or four members, the

chairperson has the discretion to require others to attend (several invited attendees may not be required to attend throughout the meeting);

- ensure adequate time is allocated to address the key issues;

the chairperson may be required to meet separately with the internal auditors, external auditors, the secretary, chairperson of the board, CEO and financial director.

Identification of issues

Prior to the audit committee meeting the chairperson needs to extract and prioritise the issues obtained from the above, so that sufficient input can be obtained from the non-executive directors/audit committee members during the meeting.



Preparation for the audit committee meeting

The documentation for the audit committee needs to be distributed well in advance of the meeting eg, a week to allow members to prepare.

Prior to the meeting, the reports that are being presented need to be studied for completeness, accuracy and relevance. This will assist the chairperson of the audit committee in controlling the time spent on issues during the meeting and to ensure that there will be an outcome.

Communication (during and after the audit committee meeting)

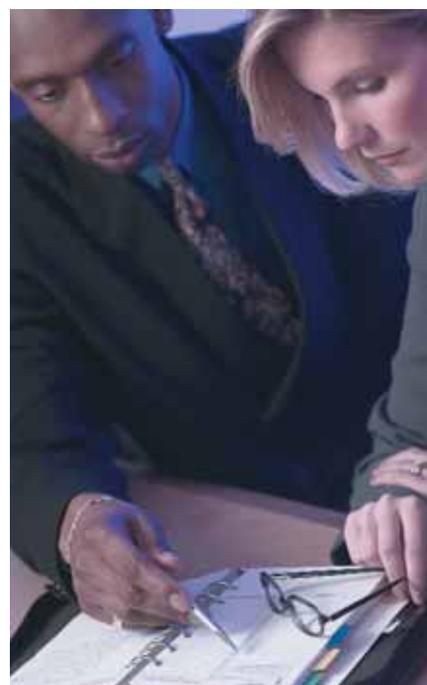
During the audit committee meeting, the chairperson has to ensure that there is open and constructive discussion, a balance of contribution made between members and attendees and a conclusion on issues encouraged. An experienced secretary is required to record the meeting and take minutes. It is also important that management representation letters are received on relevant issues.

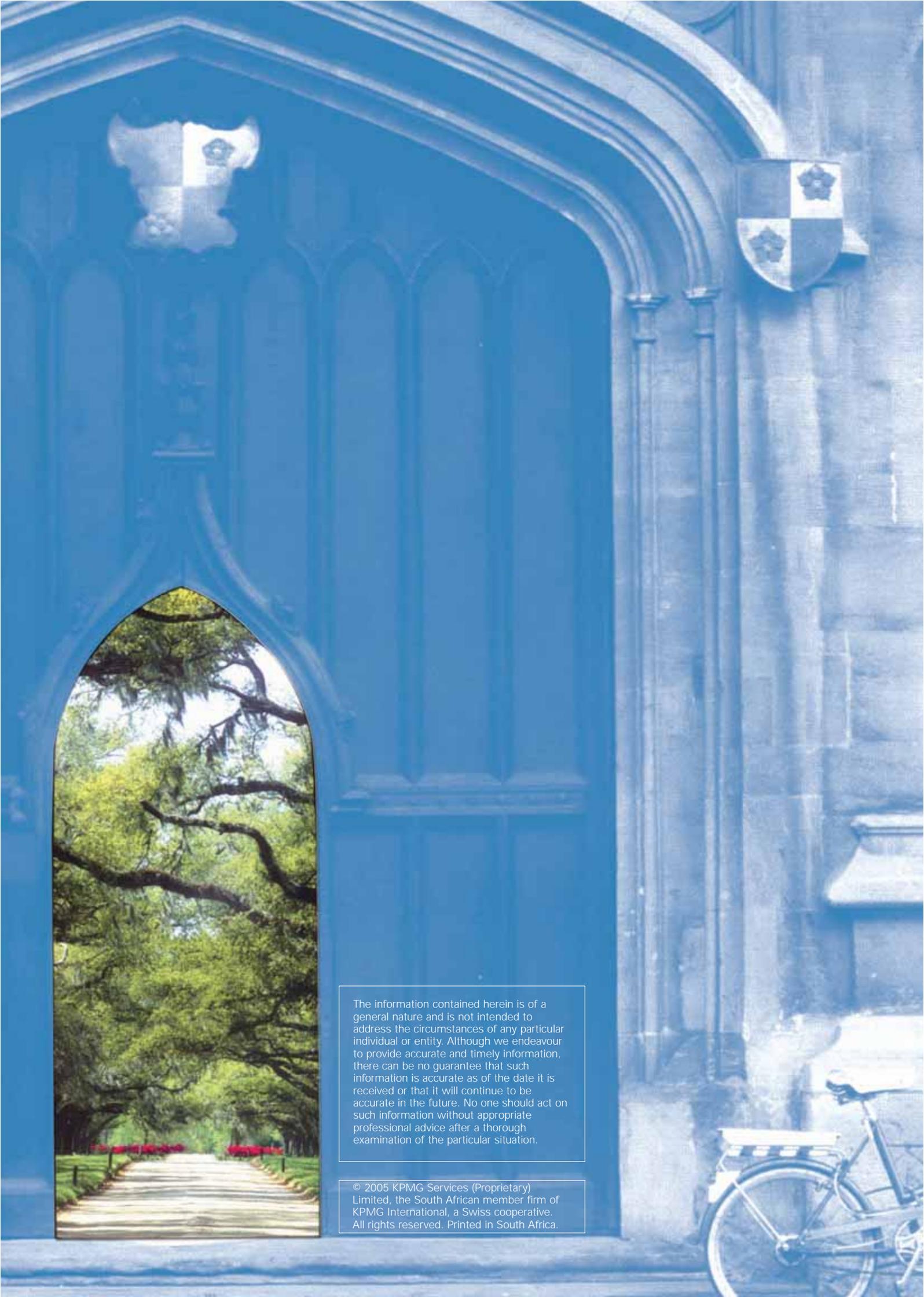
After the audit committee meeting, the audit committee chairperson is required to:

- 1 Check and approve the draft minutes.
- 2 Follow-up regularly the necessary issues prior to the next audit committee meeting.
- 3 Be clear about the decisions/mandates from the audit committee on the various issues.
- 4 Prepare a progress report for the board meeting and be prepared to be 'interrogated' by the board.
- 5 Identify for the directors those matters for which each director accepts individual responsibility (preparation of interim and annual financial statements, fairness of financial statements, accounting policies, estimates, going concern, internal control, regulations, corporate governance statements, remuneration etc).
- 6 Provide the board with feedback on the quality of internal and external audit.

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