

A photograph of three business professionals in a meeting. A woman with blonde hair is on the left, a woman with short grey hair is in the center, and a man in a dark suit is on the right, leaning over a laptop. They are all looking at the laptop screen with interest.

## Assessing the full potential of your audit committee

ADVISORY

### A new self-assessment tool helps the audit committee redefine its responsibilities, rationalise its workload and achieve tangible performance gains

Audit committees play a critical oversight role with respect to financial reporting and are becoming repositories for an increasing number of 'difficult' issues. A demanding regulatory and governance environment is elevating expectations of audit committee performance, while increasing workloads are forcing committees to take tough decisions about their strategic and oversight priorities.

#### **Assessments can help you to reach your full potential**

With such a challenging environment, performance assessments are instrumental in determining whether the audit committee is operating at its peak effectiveness. A self-assessment on structure and focus, process and resource utilisation can assist the committee to meet the ongoing challenge of higher performance expectations.

While main board annual assessments have become all but universal in large organisations, many audit committees are not being exposed to the critical performance review and analysis that their role demands. Indeed, KPMG's 2007 global audit committee survey found that less than half the respondent committees undertook any form of self-evaluation.

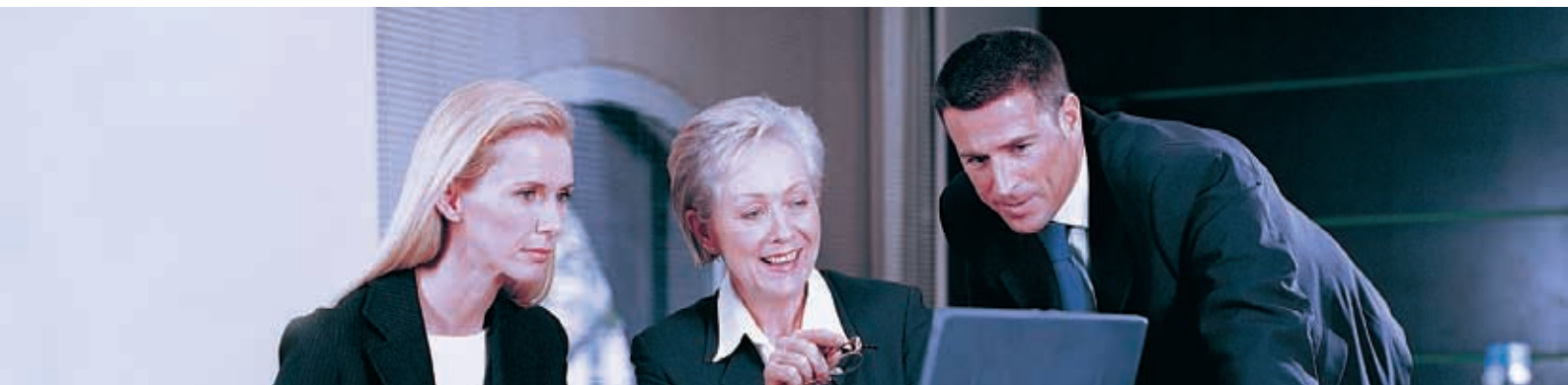
In other words, many committees are not assessing their own performance and thus are not fully aware of how they can reach their full potential. Given the importance of audit committees, that is a disappointing result and, for many, an unacceptable one.

#### **A new assessment opportunity**

Rapid growth in audit committee responsibilities has been a key factor in many committees failing to adopt some kind of regular self-assessment. A lack of time is also a factor, as is concern over a suitable assessment methodology. Assessment models used to evaluate full board performance are of limited relevance when it comes to the more specialised and demanding role of the board audit committee.

Help is now at hand. KPMG, in association with Leblanc Diagnostics and Insync Surveys, has just released a powerful new self-assessment tool called the *Leblanc Diagnostics Audit Committee Effectiveness Survey*.

This online self-assessment survey has been designed with the benefit of insights gained from KPMG's extensive practical experience, and utilises the unique WhatWhoHowDo™ framework developed by leading governance authority, Dr Richard Leblanc.



The survey focuses on what audit committees should be doing to achieve maximum efficiency and effectiveness. The survey covers the clarity of the audit committee's structure and role, its composition, leadership behaviours, committee agendas, relationships and reporting lines. It assesses committee performance in all key areas, including risk management, internal control and compliance, internal audit, financial and external reporting and external audit.

The audit committee's performance is benchmarked against audit committees in other organisations included in the survey database. This benchmarking is very effective in quickly focusing on areas where the audit committee is able to gain the most improvement.

Leveraging this analysis, KPMG can then work with non-client audit committees to facilitate frank and constructive discussion of the issues arising from the self-assessment and prepare a roadmap for practical and tangible performance improvements.

### How we can help

The *Leblanc Diagnostics Audit Committee Effectiveness Survey* generates many benefits for participating audit committees.

- Clearly and concisely articulating a committee's existing strengths and areas for improvement, relative to the committee's goals and the performance of their peers.
- Getting to the heart of the matter by focusing only on the truly important functional, responsibility and workload issues.
- Adding an independent, objective dimension to the assessment process.
- Providing clear focus for subsequent interviews, document reviews and analysis, where required.
- The convenience and confidentiality of online survey technology.
- Leveraging off KPMG's extensive global capabilities in risk management, internal and external audit, financial reporting, tax, information technology, regulatory compliance and business performance.

### Contact us

The *Leblanc Diagnostics Audit Committee Effectiveness Survey* is a new and simplified approach to audit committee self-assessment and external benchmarking. For more information about our Audit Committee Effectiveness Survey or our Board Effectiveness Survey, please contact us:

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