

June 2025

# Audit committee effectiveness: practical tips for the chair

Regulatory mandates, investor expectations, complexity of risks and workloads continue to expand. How will your audit committee meet the demands?





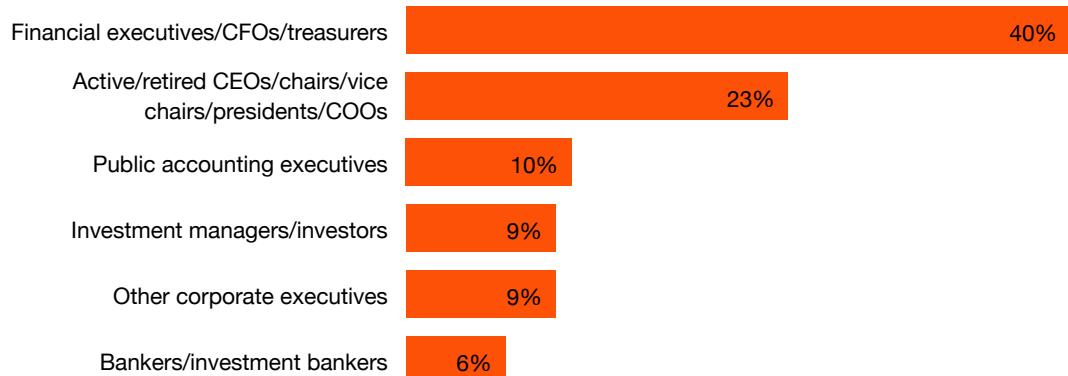
Today's boards are increasingly being asked to up their game by regulators, investors and proxy advisors. Audit committee workloads are growing and often include overseeing complex areas such as cybersecurity, AI and elements of sustainability. The entire board relies on the hard work of the audit committee to meet its overall objectives. But many audit committees are asking whether they have the right approach to meet these demands.

Audit committees need to find ways to meet the heavy burden of regulatory mandates, keep up with increasing stakeholder expectations and find time for unforeseen issues. Here are some ideas for the audit committee chair to build the right audit committee and keep members performing at a high level.

## **The audit committee chair: cornerstone of the committee**

A high-performing audit committee starts with a great chair. Good leadership and effectiveness go hand in hand. Effective chairs can bring out the best in other committee members, management and external auditors.

### **S&P 500 audit committee chairs: who are they?**



An audit committee chair needs to have experience, integrity and strong communication skills. To be truly effective, he or she has to take the time to really work on the committee agenda and make sure meetings run well. The chair must be able to effectively coordinate with other board committees. For instance, the audit committee needs to coordinate with the compensation committee to provide input on whether adjustments to GAAP profit measures used to determine CEO incentive compensation are appropriate and accurately calculated. A strong chair also makes himself or herself available to senior management, internal audit and the external auditors in between scheduled committee meetings for important matters.

### **What attributes make a strong audit committee chair?**

Attribute	Impacts
Highly experienced	<ul style="list-style-type: none"><li>Understands the business, its risks and controls</li><li>Knows when to elevate topics to a full board discussion</li></ul>
Professionally skeptical	<ul style="list-style-type: none"><li>Willing to provide an independent point of view</li><li>Intellectually curious</li></ul>
Confident, with strong integrity	<ul style="list-style-type: none"><li>Promotes a strong “tone at the top”</li><li>Demonstrates to others that all elements of the charter are being addressed</li></ul>
Organized and proactive	<ul style="list-style-type: none"><li>Prioritizes the most important agenda items</li><li>Good facilitator; cuts off low value discussions</li></ul>
Strong communication and interpersonal skills	<ul style="list-style-type: none"><li>Provides clear updates of issues to the full board</li><li>Willing to ask tough questions and have uncomfortable conversations</li></ul>
Willing to devote the time and energy necessary	<ul style="list-style-type: none"><li>Takes the time to develop the agenda and effectively execute meetings</li><li>Available as a “sounding board” for management and other committee members</li></ul>

## What should the audit committee's composition look like?

A key responsibility of the audit committee chair is to think about the committee's overall composition. This means having the right people with the right skill set to fulfill committee responsibilities.

### NYSE and NASDAQ requirements for audit committee composition\*

- Must have at least three members
- All must be:
  - Independent
  - Financially literate
- At least one member must have accounting or financial expertise or sophistication (audit committee financial expert)

\* Companies need to work with company counsel on compliance.

An effective audit committee goes beyond just meeting the stock exchange requirements listed above. Financial expertise is the top attribute boards plan to add over the next year, and nearly half of directors believe they should dedicate more time to risk management within the same period. These skills are especially important for audit committee members, as boards typically delegate much of risk oversight responsibilities to the audit committee. Also, since audit committees are often charged with oversight of cybersecurity risk, digital and cyber skills are important as well.

Diversity of experiences and skill sets can bring real benefits to a board and to an audit committee. For example, more than half (59%) of directors believe that increases to their boards' diversity improved their strategy and risk oversight. Diversity comes from having a variety of viewpoints. When it comes to business experience, having a mix of both active and retired financial executives, CEOs, risk professionals and public accounting executives can provide a range of views and perspectives.

When an audit committee has only one member who is a “financial expert,” that person often serves as chair. When this is the case, the chair needs to take care to use that expertise as a resource, but also to not dominate discussions. Audit committee members with other types of skills and expertise can provide valuable perspectives that enhance the dialogue and improve the committee’s oversight.

When assessing what’s needed on the audit committee, it’s important not to overlook “soft” skills. Skills like negotiation, teamwork, problem solving and communication can complement the critical “hard” financial and technical skills that audit committees need.

A good audit committee will also have members who maintain the respect and trust of their peers and management and understand their role in oversight of management’s fraud prevention detection program. If there are allegations of wrongdoing by company personnel, audit committees may be tasked with oversight of an investigation and forming conclusions on behalf of the board. Committee members should have the integrity and objectivity necessary to deal with any bad actors. Refer to [Appendix B](#) for specific tips to consider related to the board’s role in oversight of management’s fraud detection program.



### Confronting a crisis

While crisis response planning is management’s responsibility, the board should have oversight of the plan content and the results of testing. And the board should understand how crises are escalated to the board. Typically, a response plan will lay out various types of crises and the protocol for managing each. The role the audit committee plays in the company’s crisis management program is becoming increasingly important. Why?

If a whistleblower claim comes into the company, the audit committee chair will typically be notified, depending on nature and severity. Also, a number of audit committees are overseeing cybersecurity risk, which should be one of the types of crises in the plan.

#### For more information, read:

[Being prepared for the next crisis: The board’s role](#)

[Overseeing internal investigations](#)

### Financial experts: what to disclose?

SEC rules require each public company to disclose in its proxy statement whether the audit committee has at least one financial expert. If so, the person's name and independence must be provided. Some companies choose not to disclose other audit committee members who are also financial experts because it isn't required. But we encourage companies to disclose the names of all members who meet the definition of a financial expert. This enhances transparency for investors.

### Too big, too small or just right?

Nearly all audit committees in the S&P 500 are made up of three to six members, with four being the most common. We believe that four members is typically the right size for an audit committee. Keeping the audit committee on the smaller side promotes efficient discussion and makes it easier to schedule meetings. And in the event of unforeseen member turnover, having four members instead of the required minimum of three may provide continuity. For the same reason, audit committees should ideally have at least two audit committee financial experts. Most companies seem to agree, since 84% of companies in the S&P 500 and 76% of companies in the S&P 1500 have audit committees with more than one financial expert.

Some institutional investors and proxy advisory firms have expressed concerns about the “overboarding” of directors. And there are specific rules that apply to some audit committee members. Directors of companies listed on the NYSE are required to get approval from each board if they serve on more than three public company audit committees. Given the time commitment involved with most audit committees, the audit committee chair should regularly assess possible “overboarding” of audit committee service by its members.

**45%**

Nearly half of S&P 500 boards limit the number of other audit committees on which a director can serve.

Of those, almost all limit members to serving on no more than two other audit committees

Source: Spencer Stuart, 2024 U.S. Spencer Stuart Board Index, September 2024.

### Succession planning and refreshment through rotation

The audit committee should have a succession plan and rotation process that annually considers changes in the composition and pipeline of the audit committee. Director tenure is a topic of debate for boards and investors alike. Longer tenured members have deep experience, understand the business and know how the company works. But long tenure can sometimes breed complacency and a perceived lack of independence from management. To promote refreshment on the audit committee, many boards rotate membership. We believe a board rotation policy can provide effective refreshment. A term of five to seven years, with some flexibility for special situations, is a reasonable term to balance institutional knowledge with fresh ideas from new members.

## Getting (and staying) up to speed

It's one thing to have a good audit committee in place. But the audit committee chair needs to take a lead role in helping get new members up to speed. A structured process is critical to successful onboarding. It should start with a comprehensive meeting with the audit committee chair. It should also involve meetings with the CEO, members of the financial leadership team, internal audit and external audit. Below we provide some considerations for new audit committees that chairs may find helpful.

### Audit committees

#### Information to provide to a new audit committee member

- Audit committee charter, which outlines the committee's purpose, responsibilities and authority
- More recent financial statements, including balance sheets, income statements and cash flow statements
- Most recent audit report and management representation letter
- Recent report on internal control systems and processes
- Risk management framework and key risks facing the company
- Code of ethics, whistleblower and up-the-ladder policies
- Litigation report

#### Whom to meet with

- Chair of the audit committee
- CFO
- CAO
- Controller
- Internal audit leader
- External audit partner
- Legal and compliance teams
- Tax leader
- Treasurer
- Chief information security officer
- Risk management function
- Other board members

#### Questions a new audit committee member should ask

- What is the company's approach to enterprise risk management (ERM), and how is it monitored? Where at the board is oversight of ERM?
- What are the company's key risks and business challenges?
- How effective are the internal control systems and processes? How is ICFR tested? Have there been any material weaknesses or significant deficiencies?
- Are there any ongoing or upcoming regulatory changes that may impact financial reporting?
- Are there any pending legal or regulatory issues the committee should know of?
- Are there any significant accounting policies or practices that require clarification or further understanding? What significant estimates are made by management and what is the process for making those estimates?
- How does the company monitor compliance with ethical standards and prevent fraud?
- How does the company engage with external auditors and evaluate their independence?
- What considerations does the audit committee make in evaluating the appointment and performance of the external auditor?
- How does the company address cybersecurity risks and protect sensitive financial and personal information?
- What are the committee's reporting obligations? How does it communicate with the board of directors and shareholders?

Many chairs will visit global locations with the CFO to meet with local management and regulators. This allows the chair to understand local issues and regulatory requirements and provides them insight into the strength of the local team.

Continuing education is important for all board members. And it is particularly important to the audit committee due to changing accounting and regulatory standards. Boards should consider a mix of in-boardroom education sessions with internal and external speakers as well as external training and events.

## Onboarding — using the audit committee

Consider having new board members attend an audit committee meeting as observers even if they are not joining the committee. Hearing about core audit committee agenda items (e.g., risk oversight, financial reporting, significant judgments and estimates) can be highly valuable and an efficient way to educate new board members on the company.



## Making the meeting effective and efficient: practical approaches

It's essential for an audit committee to meet before the company files its quarterly and annual reports. During these meetings, they discuss the proposed disclosures in the reports and any related earnings announcements. Since the Sarbanes-Oxley reforms, both audit and board meetings have become much longer and more detailed than they used to be. As a result of the detailed meetings, audit committees now typically meet around eight times a year. So how do audit committees balance increased regulatory mandates, investor expectations, complexity of risks and workloads with practical time constraints?

Some audit committee chairs use innovative approaches to meet mounting demands. We describe a few of those approaches below.

### Agenda planning: setting the course

Without a carefully planned agenda integrated with the charter requirements, it's hard to set an efficient course for the year. The committee may even fail to fulfill its basic duties. Some best practices include:

- **Designate a management liaison** – The audit committee chair will need help managing the agenda setting process, including inevitable changes throughout the year. It's important to designate a specific person (e.g., corporate secretary, chief audit executive) to liaise with other members of management and coordinate changes to the agenda.

## Agenda planning tools

Often, audit committees use agenda planning tools to help chart and monitor meeting topics for the year. These tools also help ensure that the committee is meeting all of its charter requirements. (See a sample agenda planning tool in [Appendix A](#).)

- **Comply with the charter** – The audit committee charter is the starting point to plan the agenda for the year's topics. The charter is the audit committee's commitment to shareholders and reflects its required actions. Agenda planning needs to account for each item in the charter.
- **Plan the topics annually** – Map out the agenda topics and time allotments, by meeting, for all scheduled meetings at the start of each year. Most topics are recurring. Make time for “deep dives” into selected topics such as the regulatory environment and income taxes. And leave room for unexpected issues that may come up during the year.
- **Confirm agenda topics before each meeting** – A critical step is for the audit committee chair to touch base with other committee members, management and the external auditors before the agenda is distributed. The chair can then make adjustments to topics or change the order and/or allocation of time.

## Pre-meeting materials: getting to the point

Many directors tell us that there is room to improve board materials. They want more management insights, better highlighted risks, and shorter and more summarized materials.



For audit committees, effective pre-meeting materials are critical given the volume of materials required for oversight. Some best practices are:

- **Agree on timing** – Committee members need to have time to review and digest the materials. Usually, management strives to have materials available at least a week in advance of the meeting. A shorter lead time may be appropriate for virtual meetings with limited agendas, such as those covering quarterly earnings releases. With the common use of board portals, a best practice is to post materials to the portal as they are available but make sure deadlines are clear for the most critical topics.
- **Use executive summaries and dashboards** – Audit committee members often experience information overload. A good executive summary for each section of the pre-read materials and the use of dashboards, which capture meaningful data and trends, can help. Astute committees establish a protocol with management so written materials get to the point up front and the appropriate level of supporting content follows. Common points for impactful executive summaries are:
  - Why the topic is on the agenda
  - Management's insights and conclusion
  - Key takeaways
  - Action steps (e.g., committee vote) and timeline
- **Highlight changes** – Reviewing a high volume of filings and reports can be challenging. Many of the recurring reports use nearly identical verbiage, making it difficult to know what is new or different. Request that management highlight substantive changes from the prior quarter in these reports (e.g., SEC filings, management representation letters from external auditors). This allows the audit committee member to focus on the underlying reason for the changes, particularly when the change was unexpected.
- **Use appendices** – Different committee members may want different levels of detail in the materials. Focusing on the core content and including the “nice to have” detail in an appendix can make the materials more concise and focused, while not shortchanging those who want to read more. It is important for all committee members to agree on the level of detail to be included in appendices. Also, the committee may want to consult the company's legal team to understand their obligation, if any, to review supplemental information provided in appendices.

## Examples of best practices for pre-meeting materials?

Pre-meeting materials	Best practices
Management financial analysis	<ul style="list-style-type: none"> <li>• Use an executive summary of primary takeaways</li> <li>• Use graphics to highlight trends</li> </ul>
Form 10-K	<ul style="list-style-type: none"> <li>• Use an executive summary for points of emphasis</li> <li>• Highlight major changes from prior filings</li> </ul>
Chief audit executive points	<ul style="list-style-type: none"> <li>• Use an executive summary of audits completed compared to plan, significant unresolved findings, audit plan changes and other sensitive items</li> <li>• Use a dashboard of key information such as audit reports issued, unresolved issues, past due findings, trend analysis of findings by risk/theme/business unit and internal audit function resource needs</li> </ul>
Chief compliance officer points	<ul style="list-style-type: none"> <li>• Use executive summary of significant new claims, status of unresolved claims, risk assessment changes and other sensitive items</li> <li>• Use a dashboard of tailored information such as new and unresolved claims and trend analysis of claims by risk/theme/geography/business unit and compliance group resource needs</li> </ul>
External audit reports and correspondence (e.g., engagement letters, management representation letters, legal letters)	<ul style="list-style-type: none"> <li>• Provide audit status updates and key findings</li> <li>• Highlight changes and updates from the prior year or quarter</li> <li>• Provide other required communications</li> </ul>

## Final preparations: the meetings before the meeting

As audit committee chair, final preparation before the meeting is critical in order to lead an effective and efficient meeting. After reading the pre-meeting materials, a series of touch points with those integrally involved in the upcoming audit committee meeting (most likely the CFO, controller, chief audit executive and external auditor) is key to being prepared.

What are the objectives of these meetings?

- Build relationships
- Get clarification of the pre-meeting materials and provide feedback
- Provide guidance on points to emphasize during the presentation at the upcoming meeting and thoughts on how to stay within the allotted time
- Alert individuals to potential questions and challenges from committee members

Overall, these meetings help ensure all participants are well prepared without making the meeting overly scripted.



## Executive and private sessions: enhancing communication

Used properly, executive sessions and private sessions are tools that are critical to the effective functioning of the committee. Many committees do not take full advantage of these sessions. Here are some best practices for each:

### Executive and private session best practices

	Pre-meeting materials	Best practices
Attendees	Only audit committee members	At a minimum, meet separately with the CFO, chief audit executive and external audit lead partner. The chief compliance officer and chief risk officer might also have sessions, as well as those who attend meetings occasionally, such as the chief information security officer, chief information officer, general counsel and tax leader.
Frequency	At the beginning of every meeting, as well as at the end of most (if not all) meetings	At the end of all meetings
Purpose	<ul style="list-style-type: none"> <li>Give committee members unstructured time to interact</li> <li>Before the meeting react to pre-meeting materials and provide final input on the agenda</li> <li>After the meeting debrief to agree on priorities and provide input on the next meeting's agenda</li> </ul>	<ul style="list-style-type: none"> <li>Promote candid and confidential conversations in an unstructured setting</li> <li>Build relationships</li> <li>Clarify matters discussed during the full meeting</li> <li>Inquire about sensitive topics, such as the risk of fraud and corporate culture</li> <li>Mentor and coach members of management; the collective knowledge and experience of the audit committee is highly valuable and should be used to help develop members of management</li> </ul>

**One last point on executive and private sessions:** resist the temptation to make a “game-time” decision to skip them when meetings are running long. These sessions are critical to audit committee oversight (and they don’t need to take up a lot of time).

## Minuting your meetings

Audit committees are responsible for preparing detailed minutes of their meetings. These minutes should comprehensively document the committee's efforts to gather relevant information, review the materials presented, and engage in discussions and actions deemed necessary based on the facts and circumstances available at the time. Here are some additional considerations:

**Detailed and accurate record keeping:** Audit committee minutes should accurately capture the discussions, decisions and actions taken during meetings. They should reflect the committee's engagement with relevant information and discussions, as these minutes are often regarded by courts and regulators as the best record of what occurred.

**Timeliness and review:** Minutes should be prepared and circulated promptly after meetings so they may be reviewed while details are fresh. This process supports accountability and allows directors not on the audit committee to ask questions or provide feedback.

**Communication and disclosure:** Audit committees should share their minutes or reports with the full board. This aids transparency and allows non-committee directors to stay informed about financial reporting, audit processes and other related issues. Some committees also provide an annual report summarizing their past activities and future agenda.

### Audit committee readout to the board

The length of an audit committee chair's readout to the board can vary depending on the complexity of the issues discussed and the preferences of the board. However, some general best practices include:

- 1. Conciseness:** Be concise and to the point, focusing on key issues and decisions that require the board's attention. Typically, this might range from ten to 20 minutes.
- 2. Key points:** Highlight essential topics such as major audit findings, significant financial reporting issues, risk management updates, compliance matters and any recommendations for board action.
- 3. Clarity:** Present the information clearly and in a manner that board members can easily understand, especially if they do not have a financial or audit background.
- 4. Time for questions:** Allow some time for board members to ask questions or seek clarification on specific points.
- 5. Written summary:** Provide a written summary or report in advance to help streamline the readout and allow board members to prepare questions or comments.



## Assessments: making the audit committee better

An annual assessment process should go beyond the minimum stock exchange requirements and be a mechanism to help a good audit committee become great. Individual members can give and receive specific feedback and development points. Assessments can help ensure that the committee is functioning well and finding ways to improve. A committee that participates in frank discussions about its performance and composition that then commits to acting on results of its self-assessment is more likely to naturally stay sharp.

For more on the importance of assessments, read [The nine questions you need to ask to take your board from good to great](#). For a checklist of responsibilities and related practical insights for the audit committee, read our [Audit committee oversight checklist](#) paper.

### Committee connection

How does the audit committee work with other committees of the board?

#### Audit committee

The audit committee works with all committees to provide a lens into the company's culture

#### Compensation committee

- Understand which non-GAAP measures as well as other financial metrics are used in executive compensation
- Share internal audit reporting that might affect other committees
- Oversee succession planning for the finance function/internal audit/ethics and compliance, which should be a part of the other overall company talent succession planning efforts

#### Nominating/governance committee

- Have appropriate succession planning for audit committee financial experts

#### Risk committee (if applicable)

- Understand where on the board there are synergies or gaps in oversight of key risks within the company

#### Cyber committee (if applicable)

- Understand how oversight of cyber risk is executed at the board level and specifically how security of financial reporting information is covered



## Enhanced proxy disclosures: taking credit for what you do

Audit committees often take pride in their diligent and thorough oversight. Audit committees are required to make certain disclosures in a company's annual proxy statement, but investors and other stakeholders don't always understand the extent of the committee's efforts. Increasingly, investors are calling for audit committees to voluntarily enhance their proxy disclosures. By describing what the committee does in more detail gives investors better insight. Investors, in turn, are in a better position to make informed voting and investment decisions.

Refer to the next page for more information on what other boards are disclosing.

When reviewing the proxy statement, we encourage audit committees to evaluate the usefulness and transparency of disclosures and consider enhancing them to respond to what investors are asking for. To get started:

- Ask those who prepare the proxy statement to draft sample enhanced disclosures,
- Benchmark proxy disclosures of peers and competitors, and
- Review proxy disclosures of companies that have already embraced enhanced disclosures.

Armed with this information, the audit committee can take a critical look at its past disclosures and decide whether to revise them.



**Audit committee review of the draft proxy statement should focus on the following:**

- Audit committee report
- External auditor fee disclosure
- External auditor appointment ratification
- Oversight of risk

What are other audit committees doing? (percentage of S&P 500 companies)

85%	Disclosing discussions of how non-audit services may impact independence	50%	Discussing considerations in appointing the external auditor
18%	Stating audit committee responsibility for fee negotiations	59%	Disclosing whether board has an ESG or sustainability expert
39%	Stating that the external auditor evaluation is at least annual	34%	Disclosing audit committee responsibility for ESG oversight
24%	Providing explanation of a change in fees paid to the external auditor	85%	Disclosing whether board has a skills matrix
73%	Disclosing audit firm tenure	64%	Disclosing that the audit committee is responsible for oversight of cybersecurity risk
53%	Stating that the audit committee was involved in the audit partner selection	60%	Disclosing whether the board has a cybersecurity expert

Source: Center for Audit Quality/Audit Analytics, 2024 Audit Committee Transparency Barometer, November 2024.

## Appendix A

### Sample audit committee meeting agenda planner

Table excludes quarterly meetings related to earnings releases and Form 10-Q SEC filings. These meetings are often telephonic with limited agenda topics. Some committees, however, have expanded these telephonic meetings to add an agenda item or two to help relieve time pressure from other meetings with full agendas.

Topic	Charter reference <sup>1</sup>	February	May	July	October	December
<b>Management – Accounting and reporting</b>						
Accounting policies	FS.1					X
Significant estimates and judgments	FS.1	X				
New accounting standards – impact and implementation plan	FS.5			X		
Review Form 10-K/10-Q	FS.2	X				
Legal issues review	FS.4	X	X	X	X	X
Related-party transactions	FS.3	X		X		
Global staffing update, succession plan, competence assessment and continuous improvement plan	---			X		
<b>Management – Risk and compliance</b>						
Compliance and business conduct report (including hotline complaints and code of conduct violations)	C.3	X	X	X	X	X
ERM – risk assessment and updates	C.2		X			X
ERM – cyber risk	C.2		X			X
ERM – review of Form 10-K risk factors	FS.2					
Insurance coverage update	---			X		
<b>Internal audit</b>						
Internal audit global annual plan	IA.2		X			
Internal audit activity report and annual plan update	IA.2				X	
Internal control over financial reporting assessment and deficiencies status update	FS.6	X	X	X	X	X
Internal audit charter review	IA.3		X			
Fraud risk assessment	C.4		X			X
Global staffing update, succession plan, competence assessment, co-sourcing arrangements and continuous improvement plan	IA.3				X	
Annual assessment of internal audit	IA.4					X

Topic	Charter reference <sup>1</sup>	February	May	July	October	December
<b>External audit</b>						
Global audit plan and fees	E.2		X			
Pre-approve external auditor fees (as needed)	E.2	X	X	X	X	X
Year-end audit results and required communications	E.4	X				
Annual assessment of audit firm, engagement team and lead audit partner	E.5	X				
Independence review	E.5	X				
Appointment of external auditor	E.5	X				
Review policy on hiring employees of external auditor	E.6					X
<b>General</b>						
Executive session	G.2	X	X	X	X	X
Approval of minutes	---	X	X	X	X	X
Review annual agenda plan	---	X				
Committee annual assessment	G.5	X				
Audit committee charter review	G.4					X
Proxy statement review • Oversight of risk • Related-party transactions • Audit committee report • External auditor fee disclosure • External auditor ratification	G.3		X			
Private sessions • Each meeting (CFO, CCO, internal audit, external audit) • At the discretion of audit committee (CISO, CIO, general counsel, tax leader)	G.2	X	X	X	X	X
<b>Special topics and deep dives (on an "as needed" basis)<sup>2</sup></b>						
IT implementation projects and initiatives	---		X			
IT security update	---				X	
Income taxes	---			X		
Treasury	---					X
Regulatory environment	---				X	
Shared service center performance and initiatives	---					X

1. It is helpful to refer to specific sections of the Audit Committee Charter. A separate analysis should be done to ensure all charter actions are addressed in the meeting planner.
2. Special topics and deep-dive areas are at the discretion of the audit committee based upon current events and risks. Typically, these are not required to be addressed each year.

## Appendix B

### Key tips for the audit committee in deterring fraud

- Use the audit committee agenda to signal the importance of ethics, culture and tone to senior management, and influence their behavior. Allocating meaningful time and focus to discussing the topics at audit committee or board meetings sends a strong message to executives that the committee is paying attention.
- Look beyond the tone at the top to the “mood in the middle” and the “buzz at the bottom.” Discussions with a broader group of employees across divisions or offices can give audit committee members a different perspective on tone at the company.
- Pay close attention to how executives interact with directors, both inside and outside the boardroom. Executives’ behavior can say a lot about the company’s tone at the top.
- Spend time with groups in the company that focus on controls and compliance (e.g., internal audit) so they understand the importance of their roles in the organization.
- Ask management about the tenure/rotation of CFOs and other key finance positions at international locations. Often, a “fresh set of financial eyes” can highlight potential problems.
- Meet regularly with the company’s general counsel and chief compliance officer to monitor compliance with legal and regulatory requirements and oversee an annual review of the company’s compliance programs and reporting systems.
- Focus on the accounting areas that require a great deal of management estimation and judgment.
- Question the rationale for any use of third parties acting as intermediaries between the company and other businesses or government organizations in territories with a high risk of fraud and corruption.
- Understand management’s process for reviewing third-party contracts and policies, including during acquisitions.
- Understand whether the company has adopted a supplier/distributor Code of Conduct and whether “right to audit” provisions are included in third-party contracts and being exercised.
- Understand how the company’s fraud and cyber risk management programs are aligned and how they work together.
- Understand the measures management takes to educate employees about insider trading risks and how they monitor activity for any suspicious trades.



## How PwC can help

To have a deeper discussion about how this topic might impact your business, please contact your engagement partner or a member of PwC's Governance Insights Center.

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## Audit committee resources

Your role as an audit committee member has become more expansive and complex. You need trusted guidance and independent insights to be more strategic, informed and effective in your oversight role. Our practical resources can help you solve important problems and stay ahead of the audit committee issues you face. We cover key areas of oversight such as internal audit, external auditors, third party risk, ESG/sustainability and taxes, among others. We also provide example reporting dashboards for ethics and compliance, culture and more. Our [\*\*audit committee insights\*\*](#) will help you stay informed and educated.