



Audit Committees: Tokenism? or Effective?

**Research Paper
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JUNE 2003

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INTRODUCTION AND EXECUTIVE SUMMARY

Over the years much more attention appears to have been devoted to advocating the establishment of audit committees, than to analysing what audit committees should do. In recent years there have been significant changes in expectations about what audit committees can contribute. Initially audit committees were seen as sub-committees of boards that were to meet with and deal with matters raised by the auditors. Contemporary expectations seem to be that audit committees will be responsible for overseeing many aspects of the management of a corporation.

This paper sets out to review a range of the audit committee advocacy literature, and charting changes in ideas over the last three decades. It is argued that some basic responsibilities that could be assumed by audit committees continue to be overlooked in formal guidelines.

The approach adopted was to review recent guidelines or other authoritative statements about the role of audit committees – and then to summarise matters about which there seems to be a consensus, and identify other responsibilities that are appropriate for contemporary audit committees.

A second element of the paper was to compare expectations about what audit committees should do, with the practices adopted by major Australian listed entities.

Finally, the opportunity was taken to suggest ways of evaluating this aspects of the governance practices of major listed entities – highlighting what investors might look for, either to encourage better performance from Boards or to identify corporations whose public reports might be seen as representing a source of ‘information risk’.