

## ▶ AUDIT COMMITTEE CHARTERS – ROADMAP TO SPECIFIC DUTIES AND RESPONSIBILITIES

Specific Duties and Responsibilities	Source
<b>CORPORATE GOVERNANCE</b>	
<ol style="list-style-type: none"> <li>1. Disclose annually whether or not the audit committee has a charter and, if so, provide a copy of the charter in the proxy, unless posted within the company's website.</li> <li>2. Disclose annually whether or not the audit committee contains at least one financial expert (as defined) and if not, why not.</li> </ol>	SEC requirements
<ol style="list-style-type: none"> <li>3. Adopt a written charter. The charter must contain the audit committee's scope, structure and process. Audit committees must review and update their charters annually. The audit committee must be evaluated annually and must report annually on whether it has fulfilled its responsibilities under the charter.</li> <li>4. Consist of at least three members, who must be financially literate, one member must be a financial expert.</li> <li>5. Have authority to investigate any matter.</li> </ol>	Exchange listing requirements or best practices
<b>OVERSIGHT OF FINANCIAL REPORTING</b>	
<ol style="list-style-type: none"> <li>1. Include a report in each annual proxy. The required disclosures include: <ul style="list-style-type: none"> <li>• Whether the audit committee discussed the annual financial statements with management.</li> <li>• Whether the audit committee discussed with external auditors the matters required to be discussed by SAS 61 (and any subsequent revisions).</li> <li>• Whether the audit committee received the external auditor's disclosure regarding independence which is required by PCAOB Rule 3526 (and any subsequent modifications).</li> <li>• Whether based on review and discussion of the preceding three items, the audit committee recommends to the board of directors that the audited financial statements be included in the company's annual report.</li> </ul> </li> </ol>	SEC requirements
<ol style="list-style-type: none"> <li>2. Review and discuss annual and quarterly statements and MD&amp;A with management and auditors.</li> <li>3. Review earnings releases and guidance provided to rating agencies.</li> <li>4. Approve all related party transactions.</li> </ol>	Exchange listing requirements or best practices
<b>OVERSIGHT OF AUDITORS</b>	
<ol style="list-style-type: none"> <li>1. Be responsible for the appointment and compensation of the external auditor.</li> <li>2. Oversee the external auditor's work, including resolution of any disagreements between the auditor and management on financial reporting.</li> <li>3. Pre-approve audit and nonaudit services provided by the external auditor.</li> <li>4. Review reports submitted by the external auditor, including the auditor's reports on critical accounting policies and practices, alternative treatments discussed with management and their ramifications, and the auditor's preferred treatment. The auditor must report other material written communications with management, such as management letters or schedules of unadjusted differences.</li> </ol>	SOX requirements
<ol style="list-style-type: none"> <li>5. Ensure external auditor is accountable to both board and audit committee.</li> <li>6. Ensure auditor independence.</li> <li>7. Oversee the internal audit function.</li> <li>8. Ensure open communication and information flow with management and auditors.</li> </ol>	Exchange listing requirements or best practices
<b>OVERSIGHT OF COMPLIANCE, ETHICS AND CONTROLS</b>	
<ol style="list-style-type: none"> <li>1. Review reports submitted by management. (Management must disclose to both the auditors and the audit committee significant deficiencies and material weaknesses in the design of internal controls that could adversely affect the company's ability to record, process, summarize, and report financial data. They must also disclose any fraud involving management or others who have a significant role in internal controls.)</li> <li>2. Provide procedures to receive, retain, and treat complaints, as well as procedures to confidentially handle employee complaints (whistle-blower protection).</li> </ol>	SOX requirements
<ol style="list-style-type: none"> <li>3. Monitor system of compliance with legal and regulatory requirements. Oversee internal audit function. Oversee system for compliance with ethical codes.</li> </ol>	Exchange listing requirements or best practices

Material discussed in this guide and related practice aids is meant to provide general information and should not be acted upon without first obtaining professional advice appropriately tailored to your individual circumstances.