AUDIT COMMITTEE SELF-ASSESSMENT

This Audit Committee Self-Assessment document may be used by those charged with governance (in particular, audit committees) in performing an annual self-assessment. The following topics and issues to consider have been developed in conjunction with the BDO ***Effective Audit Committees for Nonprofit Organizations*** publication, review of other widely available self-assessment tools and our knowledge and experience in working with audit committees and other nonprofit organization committees charged with governance.

As there is always room for improving quality and performance, we recommend that this document be used in conjunction with your organization's Audit Committee Charter (or similar document) to ensure that governance responsibilities are adequately aligned with the charter and are being fulfilled appropriately. You may choose to customize this self-assessment further to reflect specific attributes of your organization and develop specific action steps and estimated completion dates to enhance your committee's performance.

Note: Audit Committees may find it useful to first take the self-assessment individually and have the chairman or designee consolidate the results for discussion purposes.

Topic/Issues	N/A	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Action Steps Required/ Comments	Estimated Completion Date
	0	1	2	3	4	5		
COMPOSITION AND CHARACTER								
The audit committee has the appropriate qualifications and integrity to serve the board of directors and satisfy the audit committee charter.								
The audit committee has the appropriate number of members to address risk adequately and efficiently.								
All members of the audit committee understand their roles and responsibilities.								
The audit committee has at least one financial expert member. This is sufficient given the complexities of the organization's current and/or proposed business operations.								
The audit committee has the appropriate operational and industry expertise to allow a solid understanding of the risks faced by the organization.								
All of the audit committee members are independent in both form and appearance so that impartiality may be applied in its decision-making.								
The audit committee has completed and continues to periodically perform background checks on all audit committee members.								

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▶AUDIT COMMITTEE SELF-ASSESSMENT continued

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	0	1	2	3	4	5		
The audit committee considered whether a change in composition of the audit committee was needed in order to provide a "fresh" perspective of the organization.								
CHAIRMAN								
The chairman has adequate time scheduled to fulfill his/her responsibilities.								
The chairman takes time to meet independently with management, internal and external auditors, etc.								
The chairman solicits input for meeting agendas from other audit committee members, management and both the internal and external auditors.								
INDEPENDENCE								
The audit committee has a process that allows it to remain current on independence requirements.								
The audit committee annually confirms its independence to the board of directors.								
CONTINUING EDUCATION								
The audit committee has an effective process for keeping current on accounting and reporting matters.								
SETTING TONE AT THE TOP								
The audit committee has ensured that management clearly communicates to all employees that financial misreporting is absolutely unacceptable and this policy is being appropriately enforced.								
The audit committee requires management to communicate "bad" news promptly and fully and management is in compliance with this requirement.								
The audit committee is able to ask difficult questions of management, the internal auditors and the external auditors.								
The audit committee is appropriately skeptical in its analysis of issues.								
The audit committee is able to react quickly to effect change and take preventative measures for the future.								

▶AUDIT COMMITTEE SELF-ASSESSMENT continued

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The audit committee uses the audit committee charter to guide its responsibilities and assist in setting agendas.								
The audit committee updates the audit committee charter as necessary based on regulatory requirements and/or circumstances particular to the organization.								
The audit committee presents its annual assessment to the board of directors.								
OVERSIGHT AND INTERNAL CONTROL OVER FINANCIAL REPORTING								
The audit committee's role as a function of the overall board of directors is clear and concise.								
The audit committee understands the strategic direction of the organization.								
The audit committee reports timely and adequately to the board of directors and solicits appropriate feedback from the board.								
The audit committee has allocated adequate meeting time throughout the year.								
The audit committee conducts its meetings efficiently and is able to focus on significant issues.								
All audit committee members receive and read materials in advance of audit committee meetings and come prepared.								
The audit committee maintains adequate meeting minutes.								
Audit committee members are able to speak freely during audit committee meetings.								
The audit committee reviews materials outside of the financial statements (e.g., industry reports, trend analysis, budget to actual, financial ratios, etc.) and encourages management to provide this information on a timely basis.								
The audit committee reviews and understands risk assessments developed by management and the auditors (including the risks of fraud and management override of controls).								
The audit committee has a good understanding of the internal controls of the organization and management's assessment of the effectiveness of internal controls								

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▶AUDIT COMMITTEE SELF-ASSESSMENT continued

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The audit committee is alert to "red flags" which may signal improper earnings management, fraudulent financial reporting, and misappropriation of funds or illegal acts.								
The audit committee has a process in place for reacting to alleged fraud.								
The audit committee engages experts and advisors, as circumstances warrant.								
EVALUATION OF AND COMMUNICATION WITH MANAGEMENT								
The audit committee understands the pressures faced by management that could impact the financial reporting of the organization and maintains skepticism.								
The audit committee holds executive sessions with key members of management (including operations) as often as necessary to understand business risks.								
Management communicates significant deficiencies or material weaknesses directly to the audit committee along with plans for remediation.								
The audit committee adequately follows up on management's remediation plans.								
The audit committee has an adequate succession plan in place for key financial management personnel (e.g., CFO).								
The audit committee is alert to fraud risk factors, particularly potential for management override of internal controls.								
EVALUATION OF AND COMMUNICATION WITH INTERNAL AUDIT, IF APPLICABLE								
The audit committee is responsible for and has adequate knowledge of the selection and retention of the internal audit function.								
The audit committee meets often enough with the internal auditors and understands the scope of their work.								
The internal auditors report directly to the audit committee providing it with unfiltered information.								
The audit committee periodically assesses the adequacy of the internal audit department.								

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EVALUATION OF AND COMMUNICATION WITH EXTERNAL AUDITORS								
The audit committee specifically considered the technical, industry and financial reporting knowledge, including geographic reach of the auditors.								
The audit committee is satisfied with the auditors' independence.								
The audit committee has inquired of and is satisfied that the auditors have adequate quality control policies and procedures in place to ensure services rendered meet professional and regulatory requirements as well as the audit committee's expectations.								
The audit committee has obtained sufficient information to ensure that the audit fee is in line with expectations and the scope of the audit.								
The audit committee is satisfied with the on-going technical training of the auditors.								
The audit committee has adequate access to the auditors.								
The audit committee is satisfied that communications with the auditors are meaningful and occur often enough.								
The audit committee has approval of services (both audit and non-audit) policies and procedures, if required, and is satisfied that these are operating effectively.								
The audit committee has discussed the overall scope and audit plan with the auditors and suggested adjustments as appropriate.								

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The audit committee understands the critical accounting policies and practices employed by management and has discussed these with the auditors. The audit committee has discussed with the auditors all significant findings from the audit. [This includes but is not limited to: critical accounting policies; changes in accounting principles; management judgments and estimates; corrected and uncorrected misstatements; other information in documents containing audited financial statements (e.g., selected financial data, annual reports, etc.); disagreements with management; consultation with other accountants; major issues discussed with management, including those held prior to retention; significant difficulties encountered in performing the audit; fraud and potential illegal acts involving senior management and those that cause a material misstatement of the financial statements; and quality, not just the acceptability, of the entity's accounting principles as applied in its financial reporting].								
The audit committee has discussed with the auditors all alternative accounting treatments within GAAP related to material items that have been discussed with management.								
The audit committee has reviewed and discussed with the auditor any material written communications made to management (e.g., management and engagement letters) and the status of recommendations made.								
FINANCIAL STATEMENTS AND OTHER INFORMATION								
The audit committee has adequate procedures in place to ensure that review of draft financial statements and tax returns occur *prior* to public release.								
The audit committee is satisfied with the quality and transparency of disclosures within the financial statements.								
The audit committee understands the status of any major litigation or compliance matters encountered by the organization (including results of regulatory reviews/reports) and how management is addressing and responding to these matters.								

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ETHICS AND CODE OF CONDUCT								
The organization has adequate whistle-blower policies and procedures established and the audit committee adequately oversees this process.								
The audit committee ensures that management adheres to the organization's code of conduct.								
AUTHORITY AND FUNDING								
The audit committee has the authority and adequate resources to retain and compensate auditors and independent counsel and advisors and to fund ordinary administrative expenses.								
OVERALL ASSESSMENT								
The audit committee function is operating efficiently and effectively in fulfillment of its oversight responsibility.								

The online guide, *Effective Audit Committee for Nonprofit Organizations*, incorporates specific recommendations, guidelines and rules of governmental and private sector bodies concerned with such matters. The purpose of this online tool and its supplemental materials is to provide an overview of the common functions and responsibilities of an audit committee in order to help nonprofit organizations: (1) form and maintain an effective audit committee, and (2) set an appropriate agenda for its ongoing activities. We hope this document and the accompanying site offer comprehensive guidance to nonprofit organizations as they establish and maintain audit committees that will, ultimately, ensure the financial wellbeing and future success of the organization.

The guide, *Effective Audit Committee for Nonprofit Organizations*, can be viewed in its entirety in PDF form by visiting http://www.bdo.com/download/2127 or on the microsite Nonprofitblog.bdo.com/index.php/auditcommitteeguide/.

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