

## ►MODEL AUDIT COMMITTEE MEETING AGENDAS

The following Model Audit Committee Meeting Agendas suggest the timing, objectives, specific actions to be performed, and communications to be made to the board for certain audit committee meetings. The agendas were prepared assuming a six-meeting schedule, and are not intended to be all-inclusive. Rather, meetings should reflect the Company's specific circumstances and the audit committee's particular concerns. Meetings typically begin with a discussion of matters of mutual interest among the audit committee, management, and external and internal auditors. The audit committee may then meet privately with each to discuss candidly sensitive or confidential matters. It may also be appropriate for Company counsel and/or outside counsel to attend certain meetings. Material to be discussed at meetings should be clearly prepared and sent to the committee members in sufficient time for them to digest it, so the actual meeting time can be used most productively. While the audit committee's activities should be carefully planned, its operating structure should not be immutable. Even if the Company's business has not changed recently, the audit committee should re-examine its duties and performance level over the last year. This regular self-assessment and review of the audit committee charter<sup>1</sup> should be built into the meeting calendar.

### QUARTERLY REVIEW MEETINGS

#### Timing

Before the release of earnings or as soon thereafter as practical.<sup>2</sup>

#### Meeting Objectives

To discuss with the external auditors the impact of significant matters noted in the review of the interim financial information.

#### Action

Ensure pre-approval of audit and permitted non-audit services *prior* to any work being performed.<sup>3</sup>

Discuss any of the following matters as they relate to the interim financial statements:

- Any significant new changes in accounting policies, including their quality (not just their acceptability)
- Management judgments and accounting estimates
- Significant adjustments made or proposed
- Other information contained in documents containing the financial statements
- Disagreements with management
- Consultation with other auditors
- Difficulties encountered in performing the review

#### Report to Board

Describe permitted non-audit services to be provided by the external auditors and conclude whether such services could impair independence. Communicate any significant items identified by the external auditors as a result of their review procedures.

<sup>1</sup> Refer to the BDO Audit Committee Self-Assessment and Illustrative Audit Committee Charter practice aids.

<sup>2</sup> Due to tight time constraints, these meetings may be conducted telephonically.

<sup>3</sup> Normally done during the first quarter.

► **MODEL AUDIT COMMITTEE MEETING AGENDAS** continued

## AUDIT PLANNING MEETING

### Timing

Several weeks or months before the start of the audit.

### Meeting Objectives

To review the external auditors' integrated audit plan and anticipated non-audit services, and the scope and activities of the internal auditors for the past year. Consider the following:

### Risks and Internal Controls

- Business and financial risks identified by management and the auditors
- Management override
- Industry conditions
- External auditors' most recent management letter
- Problem areas noted in prior year's audit
- Sensitive matters
- Internal auditors' reports

### Audit Scope in Light of Current Business Circumstances

- Accounting and auditing developments
- Significant changes in Company activities
- Changes in accounting policies
- Audit timing
- Locations to be examined
- Personnel being assigned to the audit
- Assistance to be provided by the internal auditors
- Involvement of other auditors
- Planned reliance on internal accounting controls (including computer security programs) to be used in conjunction with the integrated audit
- Use of computer assisted auditing techniques
- Areas for special procedures
- Review for fraud or other improprieties
- Rotation of audit procedures
- Estimated audit fees
- Proposed non-audit services
- Comparison of operating results with prior year

### Action

Approve external auditors' integrated audit plan and the scope of the internal audit plan..

### Report to Board

Discuss any issues carried over from the prior year; describe scope and timing of the integrated audit, which includes internal control over financial reporting; highlight all significant matters affecting the financial statements; describe non-audit services to be provided by the external auditors; and conclude whether such services could impair independence.

► **MODEL AUDIT COMMITTEE MEETING AGENDAS** continued

## PRE-EARNINGS RELEASE MEETING

### Timing

At or near completion of the audit and before the earnings release.

### Meeting Objectives

To review the audit findings, the drafts<sup>4</sup> of the financial statements, and (if available) the annual stockholders' report. Consider the following:

### Review of Audit

- Deviations from audit plan
- Accounting and auditing developments
- Difficulties or delays
- Auditors' judgment about the quality of the accounting policies and financial disclosure practices
- Significant matters and discoveries
- Restrictions encountered
- Unresolved matters
- Disagreements with management
- Significant audit adjustments and those waived because of immateriality
- Significant deficiencies and material weaknesses identified
- Independence issues

### Review of Preliminary Draft of Financial Statements

- The auditors' responsibility under generally accepted auditing standards
- Management's significant judgments and accounting estimates
- Significant audit adjustments made or waived
- Other information in documents containing the audited financial statements
- Timing of release

### Action

Approve audit findings, earnings release and preliminary draft of annual financial statements.

### Report to Board

Discuss conduct and findings of the audit; significant deficiencies and material weaknesses identified; any disagreements between external auditors and management; and recommend release of earnings and clear draft of basic financial statements.<sup>4</sup>

<sup>4</sup> This represents the basic financial statements themselves and not the corresponding notes to the financial statements which may not be ready at this point in time and would typically be discussed during the post earnings release meeting.

**► MODEL AUDIT COMMITTEE MEETING AGENDAS** continued**POST-EARNINGS RELEASE MEETING****Timing**

After the release of earnings, upon availability of a draft of Form 10-K and receipt of external auditors' management letter.

**Meeting Objectives**

To review the year's work and recommended improvements in internal controls not otherwise communicated; approve internal audit plan for coming year; and recommend external auditors for the coming year.

**Review of Form 10-K and Auditors' Report**

- Completeness and transparency of disclosures, including risks and uncertainties
- Consistency of annual report text with financial statements
- Wording of auditors' report – qualifications or modifications

**Review of Internal Controls**

- Management's assessment of internal controls and suggested changes
- External auditors' management letter recommendations
- Internal auditors' recommendations and audit plan for next year

**Performance Review**

- Evaluation of external auditors by:
  - Management
  - Internal auditors
- Retrospective review of prior year's quarterly reviews and integrated audit to determine how to improve efficiency and effectiveness
- Evaluation of internal auditors and staff by external auditors
- Evaluation of financial and accounting personnel by external auditors
- Recommendations from all parties for improvements in audit approach and financial disclosure
- Review of auditors' fees for the work performed
- Self-assessment of audit committee and review of charter<sup>5</sup>

**Action**

Follow up with management as to improvements to be made to internal controls and changes in accounting methods, approve internal audit plan for the coming year and decide upon the recommendation of external auditors to the board.

**Report to Board**

Summarize the year's work including recommended improvements in internal controls or changes in accounting methods; discuss reporting issues; recommend external auditors for the coming year; and recommend changes to the audit committee charter, as necessary.

<sup>5</sup> Refer to separate BDO Audit Committee Self-Assessment and Illustrative Audit Committee Charter practice aids.