



Audit Committee Requirements

PRACTICE AID

This practice aid outlines general duties, responsibilities, and disclosures to be carried out by public company audit committees (ACs) as promulgated by various rules and standards, and evolving corporate governance leading practice. Instructions for use are included below along with a KEY denoting current Rules/Regulations/Releases referred to within the practice aid. This practice will continue to evolve over time as rulemaking, leading practice and resources continue to develop.

The practice aid is organized by six categories:

- ▶ [Composition](#)
- ▶ [General Responsibilities](#)
- ▶ [Oversight of Risk Management and Financial Reporting](#)
- ▶ [Oversight of External Auditors](#)
- ▶ [Oversight of Internal Auditors](#)
- ▶ [Oversight of Compliance, Ethics, and Controls](#)

Use this tool as a guide but refer to specific rules and standards, and consult with counsel if using for documentation purposes.

KEY: RULES, REGULATIONS, RELEASES

Item 106	SEC Regulation S-K Item 106 Cybersecurity
Item 304	SEC Regulation S-K Item 304 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures
Item 404	SEC Regulation S-K Item 404 Transactions with Related Persons, Promoters and Certain Control Persons
Item 406	SEC Regulation S-K Item 406 Code of Ethic
Item 407	SEC Regulation S-K Item 407 Corporate Governance
Rule 2-07	SEC Regulation S-X Rule 2-07 Communication with Audit Committees
10A	SEC Securities Exchange Act of 1934 Section 10A - Audit Requirements (Rule 10A-2 Auditor Independence and Rule 10A-3 Listing- Standards Relating to Audit Committees)
Schedule 14A	SEC Schedule 14A Information Required in a Proxy Statement
13a-14/15d-14	SEC Securities Exchange Act of 1934 - Certification of Disclosure in Annual and Quarterly Reports (Rule 13a-14 and Rule 15d-14)
SAB 74	SEC Staff Accounting Bulletin Topic 11.M, Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period
5605(c)	NASDAQ Listing Standards 5605(c) Audit Committee Requirements
5610	NASDAQ Listing Standards 5610 Code of Conduct
303A.02	NYSE Listing Standards Section 303A.02 Independence Tests
303A.06/ 303A.07	NYSE Listing Standards Section 303A.06 Audit Committees and 303A.07 Audit Committees Additional Requirements
303A.10	NYSE Listing Standards Section 303A.10 Code of Business Conduct and Ethics
314	NYSE Listing Standards Section 314 Related Party Transactions
AS 1301	PCAOB Auditing Standard (AS 16/AS 1301): Communications with Audit Committees
AS 1305	PCAOB Auditing Standard (AS 5/AS 1305): Communications About Control Deficiencies in an Audit of Financial Statements
AS 2410	PCAOB Auditing Standard (AS 18/2410): Related Parties
Rule 3101	PCAOB Rule 3101, The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion
Rule 3524	PCAOB Rule 3524, Audit Committee Pre-Approval of Certain Tax Services
Rule 3525	PCAOB Rule 3525, Audit Committee Pre-Approval of Non-audit Services Related to ICFR
Rule 3526	PCAOB Rule 3526, Communication with Audit Committees Concerning Independence

Duties, Responsibilities, and Disclosures				Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Composition									<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Consists of at least three members	Continual								303A.07	5605(c)			
Each member of the AC shall be a member of the BOD and shall otherwise be independent in accordance with applicable standards/exceptions	Continual								303A.02	5605(c)	10A		
Members must be financially literate	Continual								303A.07	5605(c)			
One member must be a "financial expert" or (depending on the exchange) have accounting or related financial management expertise	Continual								303A.07	5605(c)			
Disclose annually whether or not the AC contains at least one financial expert and if not, why not. If yes, then disclose name and whether he/she is independent	Annual												
										5605(c)	Item 407		
Disclose the name of each member of the AC (or in absence of an AC, the board committee performing equivalent function or the entire board)	Annual												
											Item 407		
If AC members serve on multiple ACs, disclose determination that such simultaneous service would not impair the ability of such member to serve on the listing company's AC	Annual												
									303A.07				
Disclose circumstances of an appointment of an AC member who is not independent	Annual												
											Item 407		
Consider whether the AC has the diversity of experience, skills, industry knowledge, and perspective to oversee broadening risk areas assigned to the committee by the board	Annual												X
													X
Consider guidance and recommendations from proxy advisors (e.g., ISS, Glass Lewis, etc.)	Continual												X

Duties, Responsibilities, and Disclosures		Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
General Responsibilities							<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Report regularly to the board of directors regarding execution of duties and responsibilities	Continual						303A.07				
Have authority to investigate any matter including authority to engage outside advisors, including providing funding for those advisors	Continual						By reference to 10A - 303A.06	By reference to 10A - 5605(c)	10A		
Review all related party transactions for potential conflicts of interest and adequacy of disclosure. ¹	Continual						314	5601	Item 404 Item 404		
Adopt a written AC Charter	Annual						303A.07	5605 (c)			
Perform annual review of AC Charter; or more frequently as circumstances warrant	Annual							5605 (c)			
Disclose annually whether or not the AC has a charter and, if so, provide a copy of the charter in the proxy, unless posted within the company's website	Annual						303A.07	5605 (c)	Item 407		
Perform an annual AC performance evaluation	Annual						303A.07				
Confirm with the full board as to what specific risks and responsibilities the AC shall assume compared to those to be assumed by the full board or other committees of the board ¹	Annual										X
Consider, in conjunction with other committees of the board, whether the AC has the capacity and subject matter understanding to oversee additional risks allocated to the AC	As Needed										X
Disclose (i) annual performance evaluation of the AC; and (ii) the duties and responsibilities of the AC	Annual						303A.07				
Disclose any exemptions, as applicable, from the SEC minimum listing standards (e.g., independence)	As Needed						By reference to 10A; 303A.07	By reference to 10A; 5605 (c)	Item 407		

Duties, Responsibilities, and Disclosures				Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of Risk Management and Financial Reporting									<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Review with management and the external auditor the following:	As Needed								303A.07				
The overall financial statement quality and timeliness	Quarterly												X
Major issues regarding accounting principles and financial statement presentations including significant changes in the company's selection or application of accounting principles	As Needed								303A.07				
Major issues as to the adequacy of the listed company's internal controls and any special audit steps adopted in light of material control deficiencies	As Needed								303A.07				
Analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements	As Needed								303A.07				
The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the listed company	As Needed								303A.07				
The type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted," etc.)	As Needed								303A.07				
Review and discuss annual and quarterly financial statements including MD&A, and associated filings/proxies with management and external auditor	Quarterly								303A.07				
Recommend to the board of directors that the audited financial statements be included in the company's annual report on Form 10-K	Annual										Item 407		
											Item 407		

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of Risk Management and Financial Reporting						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Review and discuss earnings releases, as well as financial information and earnings guidance provided to analysts and rating agencies	Quarterly					303A.07				
If applicable, review and discuss with management and legal counsel the company's selection, calculation, presentation and disclosure of non-GAAP measures and key performance indicators (KPIs) with regard to transparency, consistency, and comparability of such measures	Continual									X
Prepare annual AC Report and include the report in each proxy statement. Required disclosures include:	Annual					303A.07		Item 407		
The AC has reviewed and discussed the audited financial statements with management	Annual					303A.07		Item 407		
The AC has discussed with the external auditor the matters required to be discussed by applicable regulations (and any subsequent revisions)	Annual					303A.07		Item 407		
The AC has received the written disclosures and the letter from the independent accountant regarding independence which is required by the PCAOB	Annual					303A.07		Item 407		
Whether the AC recommended to the board of directors that the audited financial statements be included in the company's Annual Report on Form 10-K	Annual					303A.07		Item 407		
The name of each member of the AC; number of meetings attended, and functions performed	Annual					303A.07		Item 407		
Review all public disclosures made by company (e.g., annual report, proxy, website, sustainability report, etc.) for consistency with financial reporting disclosures	Continual									X
										X

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of Risk Management and Financial Reporting						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Meet separately, periodically, with management	Continual					303A.07				
Meet separately, periodically, with Chief Financial Officer, Chief Administrative Officer, Chief Information Officer/Chief Technology Officer, Internal Audit/Chief Audit Executive and others as necessary and appropriate	As needed/ quarterly									X
Review and discuss with management policies related to risk assessment and risk management, including fraud risk, and the company's controls related to identified risk	Annual ²					303A.07				
Review management's and the external auditor's consideration of enterprise risk management factors - e.g., macroeconomic conditions, geopolitical and regulatory developments - within overall risk management systems or processes and determine whether significant impacts of such risks are reflected within the financial statements ³	Continual									X
										X
If technology risk management and governance is overseen by the AC ^{1,3,4} , evaluate and describe processes, if any, for assessing, identifying and managing material risks from the use of technology. Description should address, as applicable, whether and how such processes: (i) Have been integrated into overall risk management systems or processes; (ii) Engage assessors, consultants, external auditor or other third parties; and (iii) Are used to oversee and identify such risks from technology associated with use of any third-party service provider	Annual ²									X
										X

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of Risk Management and Financial Reporting						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
If cyber risk management is overseen by the AC ^{13.4} , evaluate and describe the registrant's processes, if any, for assessing, identifying and managing material risks from cybersecurity threats. Description should address, as applicable, whether and how such processes: (i) Have been integrated into overall risk management systems or processes; (ii) Engage assessors, consultants, external auditor or other third parties; and (iii) Are used to oversee and identify such risks from cybersecurity threats associated with use of any third-party service provider	Annual ²							Item 106		
								Item 106		
If cyber risk management is overseen by the AC ^{13.4} , describe whether and how any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect the registrant, including its business strategy, results of operations, or financial condition	Annual ²							Item 106		
								Item 106		
If cyber security risk is overseen by the AC ^{13.4} : (i) Describe the processes by which the AC is informed about such risks ² (ii) Describe the oversight of risks from cybersecurity threats; identify the committee, if applicable, responsible for the oversight or risks fro cybersecurity threats (iii) Review related management incident response plans	Annual ²							Item 106		
								Item 106		
If cyber management is overseen by the AC ^{13.4} , evaluate relevant director knowledge, skills, and experience to determine if additional external expertise is warranted	Annual									
										X

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of Risk Management and Financial Reporting						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
<p>If cyber risk governance is overseen by the AC^{1,3,4}, describe management's role in assessing and managing material risks from cybersecurity threats. In providing such disclosure, the following non-exclusive list of disclosure items should be addressed, as applicable:</p> <p>(i) Whether and which management positions or committees are responsible for assessing and managing such risks, and the relevant expertise of such persons or members in such detail as necessary to fully describe the nature of the expertise;</p> <p>(ii) The processes by which such persons or committees are informed about and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents; and</p> <p>(iii) Whether such persons or committees report information about such risks to the board of directors or a committee or subcommittee of the board of directors</p>	Annual ²							Item 106		
								Item 106		
Review management's quarterly SOX Certification(s) of Disclosure including any report to the AC of all significant deficiencies in the design or operation of internal controls, any material weaknesses in internal controls identified, and any fraud involving management or other employees who have a significant role in internal controls, if applicable	Quarterly							13a-14/15d-14		
Review management's preparedness to address and comply with significant U.S. and global reporting and disclosure requirements related to climate and other ESG/sustainability areas. ³ Note: Certain U.S.-based companies, due to nature of the location of their operations, are being scoped into both the U.S. rules (local, state and Federal) as well as various international jurisdictional rules and regulations	As Needed									X

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor						Specific Duty/Responsibility		Disclosure		
Appoint and determine compensation of the external auditor	Annual					By reference to 10A - 303A.06	By reference to 10A - 5605(c)	10A		
										X
Pre-approve audit and non-audit services provided by the external auditor, including certain tax services and non-audit services related to ICFR	Annual					By reference to 10A - 303A.06	By reference to 10A	10A	Rules 3524, 3525	
						By reference to 10A - 303A.06	By reference to 10A	10A		
Set clear hiring policies for employees or former employees of the external auditor	Continual					303A.07				
Executive Sessions: Meet separately, periodically, with external auditor	Continual					303A.07				
Oversee the performance and qualifications of the external auditor	Continual					303A.07		10A		
										X
Receive required written communications from the external auditor concerning independence, and understand process used by the external auditor to arrive at conclusions regarding independence	Annual					303A.07	By reference to 10A - 5605(c)		Rule 3526	
Ensure audit partner rotation, as applicable, including all partners assigned to the engagement together with a discussion regarding succession planning complies with applicable rules and standards	Annual					By reference to 10A - 303A.06	By reference to 10A - 5605(c)	10A		
Perform an external auditor evaluation and present its conclusions to the full board	Annual									
						303A.07				

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Review reports submitted by the external auditor, including, but not limited to:	Annual					By reference to 10A - 303A.07	By reference to 10A - 5605(c)	10A; Rule 2-07		
Auditor's report and critical audit matters (CAMs)	Annual								AS 3101	
Critical accounting policies and practices to be used	Annual					By reference to 10A - 303A.07	By reference to 10A - 5605(c)	10A; Rule 2-07		
All alternative treatments of financial information within GAAP discussed with management and their ramifications, and the auditor's preferred treatment	Annual					By reference to 10A - 303A.07	By reference to 10A - 5605(c)	10A; Rule 2-07		
Auditor's other material written communications to management, such as management letters, representation letters or schedules of unadjusted differences	Annual					By reference to 10A - 303A.07	By reference to 10A - 5605(c)	10A; Rule 2-07		
Auditor's internal control procedures	Annual					303A.07				
Any material issues raised by the most recent internal quality-control review, peer review or any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues	Annual					303A.07				
Any material issues raised by inspections of firm engagements, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues	Annual					303A.07				
All relationships between the external auditor and the company	Annual					303A.07	5605-2			

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Review with external auditor firm level information disclosed in their audit quality reports, transparency reports or other published reports and any applicable engagement specific metrics	Annual									X
Review required disclosure within annual proxy statement related to external public accountants including:	Annual							Schedule 14A		
Name of principal accountant being selected or recommended for ratification	Annual					By reference to 10A	By reference to 10A	Schedule 14A		
Name of principal accountant for the fiscal year most recently completed if different from the current year	Annual					By reference to 10A	By reference to 10A	Schedule 14A		
Changes in and disagreements with principal accountant during the two most recent fiscal years or any subsequent interim period	As Needed							Schedule 14A		
Whether principal accountant will be present at the annual shareholders' meeting, whether they will make a statement, and whether they will be available to respond to questions directed to them	Annual					By reference to 10A	By reference to 10A	Schedule 14A		
Fees paid to the external auditor for each of the two most recent fiscal years is made by management broken out by audit, audit-related, tax, and all other fees	Annual					By reference to 10A	By reference to 10A	Schedule 14A		
AC preapproval policies and procedures related to audit and non-audit services	Annual					By reference to 10A	By reference to 10A	Schedule 14A		

Duties, Responsibilities, and Disclosures		Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor							<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Review any audit problems or difficulties and management's response	Continual						303A.07				
Oversee resolution of disagreements between management and the external auditor	Continual						By reference to 10A	By reference to 10A	10A		
Communication requirements to be made by the external auditor to the AC with respect to ICFR:											
All significant deficiencies and material weaknesses identified during the audit. The communication should be written to management and the AC and should be made prior to the issuance of the auditor's report on ICFR	Annual ²									AS 1305	
If the auditor concludes that the oversight of the company's external financial reporting and ICFR by the company's AC is ineffective, the auditor must communicate that conclusion in writing to the board of directors	Annual ²									AS 1305	
If the auditor identifies other control deficiencies in ICFR (i.e., those deficiencies in ICFR that are of a lesser magnitude than material weaknesses), the auditor should communicate such matters to management in writing and inform the AC in a timely manner, prior to the issuance of the auditor's report on ICFR.	Annual ²									AS 1305	

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Communication requirements to be made by the external auditor to the AC with respect to general oversight of the audit:	Annual ^z								AS 1301	
Establish an understanding of the terms of the audit engagement	Annual								AS 1301	
Significant issues discussed with management in connection with appointment or retention	Annual								AS 1301	
Obtain information from the AC relevant to the audit	Continual								AS 1301	
Overall audit strategy, timing of the audit, and significant risks identified	Annual								AS 1301	
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	Annual								AS 1301	
If applicable, extent to which the auditor plans to use the work of others and the basis for the auditor's determination that he/she can serve as the principal auditor	Annual								AS 1301	
Significant changes to planned audit strategy or significant risks initially identified	Quarterly								AS 1301	
Significant accounting policies and practices	Annual								AS 1301	
Critical accounting policies and practices	Annual								AS 1301	
Adoption of new accounting standards and implementation status of such (Refer to SEC SAB 74)	As Needed								AS 1301	
Critical accounting estimates	Annual								AS 1301	

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Continued from previous page: Communication requirements to be made by the external auditor to the AC with respect to general oversight of the audit:	Annual ²								AS 1301	
Significant unusual transactions	Annual								AS 1301	
Auditor's evaluation of the quality of the company's financial reporting	Annual								AS 1301	
Difficult or contentious matters for which the auditor consulted outside the engagement team and that the auditor reasonably determined are relevant to the AC's oversight of the financial reporting process	Annual								AS 1301	
Management consultations with other accountants	Annual								AS 1301	
Corrected misstatements related to accounts and disclosures, other than those that are clearly trivial, brought to the attention of management by the auditor	Annual								AS 1301	
Uncorrected misstatements related to accounts and disclosures, other than those the auditor believes to be trivial	Annual								AS 1301	
Other information in documents containing the company's audited financial statements	Annual								AS 1301	
Disagreements with management	Annual								AS 1301	
Significant difficulties encountered during the audit	Annual								AS 1301	
If applicable, auditor's evaluation of the company's ability to continue as a going concern	Annual								AS 1301	
Fraud and potential illegal acts involving senior management and those that cause a material misstatement of the financial statements	Annual								AS 1301	

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Continued from previous page: Communication requirements to be made by the external auditor to the AC with respect to general oversight of the audit:	Annual ^z								AS 1301	
Other material written communications with management	Annual								AS 1301	
If applicable, departure from auditor's standard report	Annual								AS 1301	
Other matters significant to the oversight of the company's financial reporting process	Annual								AS 1301	
Review and discuss the effect of significant events, transactions, and changes in accounting estimates or changes to policies and practices related to such significant matters occurring during the interim period.	Quarterly								AS 1301	
The auditor has the following communication requirements to be made to the AC with respect to related parties and related party transactions:	Annual								AS 2410	
Evaluation of the company's identification of, accounting for, and disclosure of its relationships and transactions with related parties	Annual								AS 2410	
The identification of related parties or relationships or transactions with related parties that were previously undisclosed to the auditor	Annual								AS 2410	
The identification of significant related party transactions that have not been authorized or approved in accordance with the company's established policies and procedures	Annual								AS 2410	
The identification of significant related party transactions for which exceptions to the company's established policies or procedures were granted	Annual								AS 2410	
The inclusion of a statement in the financial statements that a transaction with a related party was conducted in an arm's length transaction and the evidence obtained by the auditor to support or contradict such as assertion	Annual								AS 2410	
The identification of significant related party transactions that appear to the auditor to lack business purpose	Annual								AS 2410	

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of External Auditor						<div><div></div> Specific Duty/Responsibility</div> <div><div></div> Disclosure</div>				
If applicable, review and discuss audit procedures performed and the auditor's perspectives on management's use and presentation of non-GAAP measures in compliance with SEC requirements.	Continual				<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	X
					<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	X
Respond to auditor inquiries regarding the AC's understanding of the entity's relationships and transactions with related parties that are significant to the entity and concerns the AC may have regarding related parties and, if so, the substance of those concerns	Annual				<div></div>	<div></div>	<div></div>	AS 2410	<div></div>	<div></div>
					<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Consider providing, on a voluntary basis, proxy disclosure of factors considered in the selection/reappointment of external auditor and lead audit engagement partner; auditor tenure; audit fees (including consideration of changes); and annual auditor evaluations	Annual				<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
					<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	X
Consider providing, on a voluntary basis, proxy disclosure of the processes and/or specific activities employed by the AC in oversight of the external auditor	Annual				<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
					<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	X

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of Internal Auditor						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Oversee the internal audit (IA) function ⁵	Continual					303A.07				
Review and approve the IA charter, which includes the IA authority, role(s) and responsibilities, along with the scope and types of IA services ⁶	Annual									X
Approve hiring and retention decisions of the chief audit executive (CAE), and identify the necessary qualifications, experience, and competencies ⁶	As Needed									X
Determine compensation for the chief audit executive	Annual									X
Approve IA annual audit plan, budget, and resource plan, and any significant changes ⁶	Annual									X
Enable the independence of the IA function ⁶	Continual									X
Confirm with the CAE the organizational independence of the IA function ⁶	Annual									X
Discuss with the CAE the IA function external quality assurance and improvement program and approve and monitor an action plans to remediate identified deficiencies and opportunities for improvement ⁶	Annual									X
Discuss changes in IA standards with CAE to gain alignment among respective responsibilities, including: ⁶ <ul style="list-style-type: none"> ▶ Purpose of internal auditing ▶ Essential conditions for governing the AI function ▶ Potential impact on the effectiveness of the IA function if the board or senior management does not provide support to enable essential conditions 	As Needed									X
Executive Sessions: Meet separately, periodically, with IA to discuss their audit plan and review action plans, and findings	Continual					303A.07				

Duties, Responsibilities, and Disclosures	Timing	Q1	Q2	Q3	Q4	NYSE	NASDAQ	SEC	PCAOB	Leading Practice
Oversight of Internal Auditor						<div> <div></div> Specific Duty/Responsibility <div></div> Disclosure </div>				
Discuss IA function responsibilities, budget, and staffing with external auditor	Annual					303A.07				
Review with IA the effectiveness of the organization's Enterprise Risk Management (ERM) and management's responsibilities for identifying, prioritizing, and managing risk	Annual									X
Review performance of the CAE and approve annual compensation	Annual									X
Oversight of Compliance, Ethics, and Controls										
Meet periodically with the organization's compliance officers and general counsel	As Needed									
Provide procedures to receive, retain, and treat complaints, as well as procedures to confidentially handle employee complaints (whistle-blower protection)	Continual					By reference to 10A	10A	10A		
Adopt and disclose a code of business conduct and ethics	Annual					303A.10	5610	Item 406		
Monitor system of compliance with legal and regulatory requirements. Oversee system for compliance with ethical codes	Continual					303A.07				
Review and discuss codes of conduct applicable to directors, officers and employees and disclosure any waivers of the code for executive offers and directors	Annual					303A.10				
Understand the company's risk tolerance and risk appetite and fraud risk factors along with reviewing management's fraud risk assessment process and anti-fraud program, including controls designed to prevent, detect or mitigate fraud	Continual									X

Endnotes

- 1 These are requirements of the board that are often allocated to the AC.
- 2 At least annually, but leading practice would be quarterly or more often as needed.
- 3 Audit committees are required to oversee financial statement risk. Often additional oversight may be allocated including oversight of the ERM process, or additional specific risks such as cybersecurity and/or technology. Leading practice is to deliver a plan with risks prioritized, mitigation plans, responsible owner and updates. If the AC is responsible for oversight of ERM, there should be reporting by the AC to the full board a minimum of once a year or more frequently as necessary.
- 4 Item 106 (b) and (c) of Regulation S-K requires certain disclosures concerning the risk management, strategy and governance oversight responsibilities of the board. Those responsibilities may often be allocated by the board to the AC.
- 5 Each listed company must have an internal audit function, which may be outsourced. Section 303A.00 permits certain categories of newly-listed companies to avail themselves of a transition period to comply with the internal audit function requirement.
- 6 Updated to align with the Institute of Internal Auditors Global Internal Audit Standards effective as of January 2025.
- 7 Additional quarterly communications generally would be limited to the effect of significant events, transactions and changes in accounting estimates that the accountant considered when conducting the review of interim financial information.

CONTACT US

AMY ROJIK

National Managing Principal, Corporate Governance
617-239-7005 / arojik@bdo.com

LEE SENTNOR

Director, Corporate Governance
617-239-4142 / lsentnor@bdo.com

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. For more information, please visit: www.bdo.com.

© 2025 BDO USA, P.C. All rights reserved.

