

AUDIT COMMITTEE SELF-ASSESSMENT

What is the Audit Committee Self-Assessment?

This is a tool designed to assist the audit committee in evaluating HOW well the audit committee is executing their responsibilities. Please refer to BDO's Audit Committee Requirements Practice Aid to track WHAT the audit committee should be doing throughout the year. The performance indicators included in this practice aid have been selected from BDO thought leadership available within The BDO Center for Corporate Governance and Financial Reporting, review of other widely available self-assessment tools, and our knowledge and experience in working with both public company audit committees and those charged with governance at private companies.

Why should audit committees perform a self-assessment?

Beyond listing exchange requirements, this tool is designed to assist in strategic improvements and identification of ongoing goals for the audit committee as a basis for good governance practice. 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 audit committee's performance.

Who should use this practice aid?

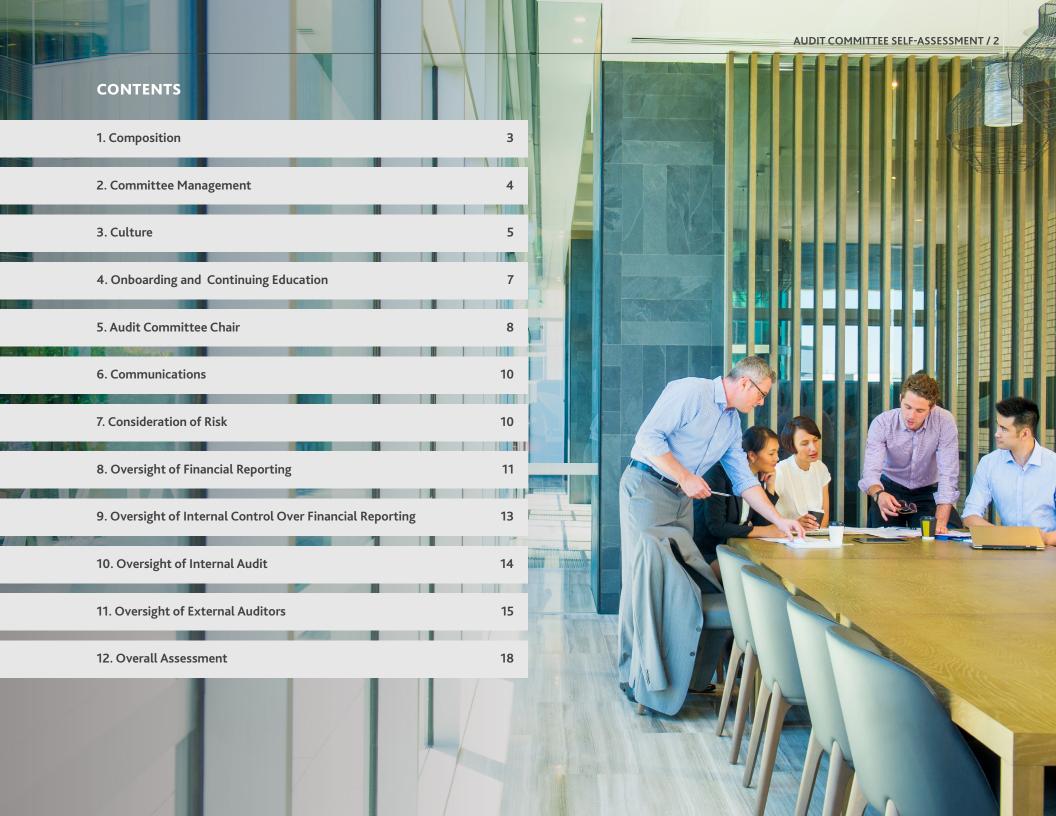
This Audit Committee Self-Assessment may be used by those charged with governance (in particular, audit committees) in performing an annual self-assessment. The audit committee chair would generally compile the results, which may be obtained from individual committee members on a confidential basis, but should also contemplate feedback from other key stakeholders such as the board, internal and external audit, and management.

When should the audit committee use this practice aid?

The audit committee should perform a self-assessment at least annually with areas identified for improvement to be assessed throughout the year.

How should the audit committee use this practice aid?

This self-assessment tool is to be used as a guide and in correlation with the responsibilities laid out within the audit committee charter approved by the full board. In certain circumstances, some of the below line items may not be applicable or there may be additional considerations that the audit committee may want to include in their assessment. At the discretion of the audit committee chair and members, an additional free-form commentary box has been included to allow for specific recommendations or observations to be captured for further consideration.



Topic/Issues	0 N/A	Strongly Disagree	N Disagree	ω Neither Agree nor Disagree	4 Agree	G Strongly Agree	Action Steps Required/ Comments	Estimated Completion Date	Commentary
1. COMPOSITION									
The audit committee has the appropriate qualifications, integrity, time, and resources 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, and the inclusion of additional financial experts has been considered in light of the company's risk and planned activities.									
The audit committee has the appropriate operational and industry expertise, business acumen, along with diversity in thought, to allow a solid understanding of and to address the risks faced by the Company.									
Audit committee members have adequate time to devote to their duties and are not considered to be "over boarded" (i.e., they do not have too many conflicting obligations in serving other committees of the board, additional boards where they are serving as directors or advisors to, etc.).									

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All of the audit committee members are independent in both form and appearance so that impartiality may be applied in committee decision-making.							Comments		Commentary
The audit committee annually confirms its independence to the board of directors.									
The audit committee completes and continues to periodically perform timely background checks on all audit committee members.									
The audit committee considers whether a change in composition of the audit committee is needed in order to provide a "fresh" perspective of the Company.									
The audit committee has members who are able to manage dissent and demonstrate a questioning mindset.									
2. COMMITTEE MANAGEMENT									
The audit committee allocates adequate meeting time throughout the year.									
The board book is prepared timely and concisely, focusing on appropriate issues and is distributed with time for adequate review by members in advance of meetings.									

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All audit committee members receive and review materials in advance of audit committee meetings and come to meetings prepared.									
The audit committee adheres to agenda time prioritized to discuss important issues.									
The audit committee ensures proper follow up to questions and issues that arise.									
The audit committee conducts its meetings efficiently and is able to focus, discuss, and debate significant issues.									
The audit committee maintains adequate meeting minutes.									
The audit committee reports timely and adequately to the board of directors and solicits appropriate feedback from the board.									
The audit committee's role, as a function of the overall board of directors, is clear and concise.									
3. CULTURE									
The audit committee exhibits the appropriate "tone from the top," as defined by the audit committee chair.									

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Audit committee members are able to speak freely during audit committee meetings.									
The audit committee maintains a questioning mindset and respects dissenting opinions to foster robust dialogue on significant matters.									
Management has established appropriate whistle-blower policies and procedures and the audit committee adequately oversees this process.									
The audit committee ensures that management maintains a Company Code of Conduct and that it is adhered to.									
The audit committee ensures that management clearly communicates to all employees that financial misreporting is absolutely unacceptable and this no tolerance 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 auditor and the external auditor.									

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The audit committee is skeptical in its analysis of issues.									
The audit committee is able to react quickly to effect change and take preventative measures for the future.									
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 annually, or as necessary, based on regulatory requirements and/or circumstances particular to the Company.									
The audit committee conducts and presents its annual self-assessment to the board of directors.									
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.									
4. ONBOARDING AND CONTINUING ED	UCAT	ION	,						
The audit committee has a robust onboarding process for new members.									

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Ensures robust "onboarding" of new members occurs timely.									
The audit committee has an effective process for participating in continuation education in keeping current on accounting, reporting, and other relevant governance and industry-specific matters.									
The audit committee has a process for allowing members to remain current on independence requirements.									
5. AUDIT COMMITTEE CHAIR									
The chair has adequate time scheduled to fulfill his/her responsibilities.									
The chair is knowledgeable of committee members' skill sets and draws on such expertise/experience as needed.									
The chair sets the appropriate tone for meetings, demonstrates effective leadership, and is able to manage various personalities and dissenting opinions in maintaining a productive and respectful environment.									
The chair sets the audit committee agenda with appropriate allocation of time for discussion and decision-making related to risk, complexity, and other significant considerations.									

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The chair effectively listens to and communicates with the audit committee members and others internal and external to the organization.									
The chair takes time to meet independently with management, internal and external auditors, etc. and encourages interactions among the directors and with management, the auditors, and others internal and external to the organization.									
The chair solicits input for meeting agendas from other audit committee members, management, and both the internal and external auditors.									
The chair ensures robust "onboarding" of new members occurs timely.									
The chair engages the appropriate external resources, if and when needed.									
The chair adequately reports out to and works with other committees and the full board, as appropriate.									

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6. COMMUNICATIONS									
The audit committee understands the pressures faced by management that could impact the financial reporting of the Company and maintains skepticism and exercises appropriate professional judgment.									
The audit committee maintains open and honest communication with management.									
The audit committee maintains open and honest communication with internal audit.									
The audit committee maintains open and honest communication with external auditors.									
The audit committee ensures external audit inquiries, requests, and recommendations are responded to in a timely fashion.									
The audit committee holds separate executive sessions with key members of management (including operations) as well as internal and external auditors, as often as necessary, to understand business risks.									
7. CONSIDERATION OF RISK									
The audit committee understands the strategic direction of the Company.									

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The audit committee reviews and understands risk assessments developed by management and the auditors.									
The audit committee is knowledgeable of and considers risk to the company's strategy and business models posed by evolving and disruptive technologies and processes.									
The audit committee is alert to fraud risk factors, particularly the potential for management override of internal controls.									
(If appropriate) The audit committee is adequately briefed on management's cybersecurity risk management program and has confidence that this program is designed and operating effectively.									
8. OVERSIGHT OF FINANCIAL REPORTIN	IG								
The audit committee understands and challenges the appropriateness of critical accounting policies, estimates and judgements, including the implementation of new accounting standards.									
The audit committee understands and challenge the completeness and transparency of the financial statements, annual report, and other related communications.									

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The audit committee has adequate procedures in place to ensure that review of earnings releases and filing documents (including 10-Qs, 10-Ks, MD&A, CD&A, proxies) occur prior to public release.									
The audit committee is satisfied with the quality and transparency of disclosures within the financial statements.									
The audit committee discusses management's use and disclosure of non-GAAP measures with the auditor and is in agreement with use of such disclosures within the financial statements.									
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 understands the status of any major litigation or compliance matters encountered by the Company (including results of regulatory reviews/reports) and how management is addressing and responding to these matters.									

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The audit committee oversees the qualifications and competency of management and senior financial executives.									
The audit committee has an adequate succession plan in place for key financial management personnel (e.g., Chief Financial Officer, Chief Accounting Officer, and Internal Audit Director).									
9. OVERSIGHT OF INTERNAL CONTROL (OVER	FINAN	ICIAL	REPO	RTING				
The audit committee has a good understanding of the internal controls of the Company's and management's assessment of the effectiveness of internal controls.									
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 is well informed and satisfied as to the knowledge and skillset with the accounting department, including middle management positions.									

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Management communicates significant deficiencies or material weaknesses directly to the audit committee along with plans for remediation.									
The audit committee adequately monitors and follows up on management's remediation plans.									
The audit committee engages experts and advisors, as circumstances warrant.									
10. OVERSIGHT OF INTERNAL AUDIT									
The audit committee is responsible for and has adequate knowledge of the selection, operation, and retention of the internal audit function.									
The audit committee meets often enough – both formally and informally – with the internal auditors and understands the scope of their work.									
The audit committee discusses the overall scope, risk identification, and audit plan with the internal auditors and suggests adjustments as appropriate.									
The internal auditors report directly to the audit committee, providing it with unfiltered information.									

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The audit committee periodically evaluates the adequacy, effectiveness, and independence of the internal audit department.									
Internal audit is adequately resourced.									
11. OVERSIGHT OF EXTERNAL AUDITOR	S								
The audit committee is responsible for and has adequate knowledge of the selection and retention of the external audit function, including the selection of the engagement partners.									
The audit committee specifically considers the technical, industry, and financial reporting expertise, including geographic reach, of the auditor.									
The audit committee considers the relationship and tenure of the auditor in the appointment and retention decision.									
(If available) The audit committee reviews annual auditor transparency and/ or voluntary audit quality reports.									
The audit committee has evaluation procedures in place for the external auditors, and responds to areas of dissatisfaction in a timely manner.									

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The audit committee inquires 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 obtains 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 and competence 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 pre-approval of services (both audit and non-audit) policies and procedures and is satisfied that these are operating effectively.									
The audit committee discusses the overall scope, risk identification, 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 discusses these with the auditor.									
The audit committee discussed with the auditor all significant findings from the audit, including but 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., MD&A, selected financial data, 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; and fraud and potential illegal acts involving senior management and those that cause a material misstatement of the financial statements									

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	12. OVERALL					
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The audit committee discusses with the auditor the quality, not just the acceptability, of the entity's accounting principles as applied in its financial reporting.									
The audit committee discusses with the auditor all alternative accounting treatments within GAAP related to material items that have been discussed with management.									
The audit committee reviews and discusses with the auditor any material written communications made to management (e.g., management and engagement letters) and the status of recommendations made.									
12. OVERALL ASSESSMENT									
The audit committee function is operating efficiently and effectively in fulfillment of its oversight responsibility.									

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