



Supervisory Committee Charter Matrix

INSTRUCTIONS FOR USING THIS TOOL: Preparing an Audit Committee charter is often referred to as a best practice, and is actually required for many public companies. However, the charter is often prepared and forgotten except for its annual review. This tool is designed to help audit committees make the charter a living document, and use it to manage the agenda. This tool is meant as a sample. Users of the tool should put their own charter in the first column, and use this example as a guide for defining the steps to accomplish each objective, the associated performance measure, and the scheduling.

Supervisory/Audit Committee Charter Matrix For the Year Ending: _____

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)	Date Completed
1. Each member of the Audit Committee shall be a member in good standing and be free of relationships with Credit Union employees, vendors, or other conflicts which may impair objectivity or appearance of independence	Request an affidavit from each committee member stating that they have no direct or indirect financial interest in the operations of the Credit Union or relationship with Credit Union staff or Board members, which would reasonably be thought to bear on their independence and objectivity.	Indicate in the Audit Committee minutes whenever a new member is appointed; acknowledge that independence has been verified.	Affirm annually or whenever a change in status by any Audit Committee member occurs.	
2. At least one member of the Audit Committee shall be designated as a <i>financial expert</i> . (See the tool “ Audit Committee Financial Expert Decision Tree ” in this toolkit.)	Ascertain that at least one member of the audit committee meets the requirements of a financial expert under the regulations of the Act.	Indicate in Audit Committee meeting minutes which member of the audit committee is designated as the financial expert.	Affirm annually, unless there is a change in status.	
3. Review the Committee’s charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the board of directors. Consider changes that are necessary as a result of new laws or regulations.	Review the charter each year. Assess the appropriateness of each point in the charter in light of the previous year’s experience. Assess the completeness of the charter in light of new best practices and new legal or regulatory requirements.	Report to the board on the appropriateness of the Audit Committee charter and any revisions recommended	Review annually, unless changes are needed during the course of the year.	

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<p>4. The Audit Committee shall meet at least four times per year. These meetings may be combined with regularly scheduled meetings, or more frequently as circumstances may require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.</p>	<p>In-person meetings should be held at least once each quarter. All members are expected to attend each meeting in person, via telephone conference or videoconference.</p> <p>Telephone conference meetings may be held more frequently.</p> <p>The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials.</p>	<p>Prepare minutes that document decisions made and action steps following meetings and review for approval.</p> <p>Meeting minutes should be filed with the board of directors.</p>	<p>Minutes should be distributed as soon as possible but no later than prior to the next meeting.</p>	
<p>5. Conduct executive sessions with the outside auditors, CEO (chief executive officer), CFO (chief financial officer), internal audit executive (I.A.), general counsel, outside counsel, director of financial reporting, controller, and anyone else as desired by the committee.</p>	<p>Establish these sessions in conjunction with quarterly meetings or as necessary. (See the tool “Conducting an Audit Committee Executive Session: Guidelines and Questions,” in this toolkit.)</p>	<p>Develop action steps to be taken, if appropriate.</p>	<p>Review quarterly, and as necessary.</p>	
<p>6. The Audit Committee shall be authorized to hire outside counsel or other consultants as necessary. (This may take place any time during the year.)(See the tool “Engaging Independent Counsel and</p>	<p>A budget should be established for this purpose. Requests for proposals (RFPs) should be used if time permits.</p>	<p>Report submitted by outside counsel or consultant.</p>	<p>Review as needed.</p>	

Other Advisers,” in this toolkit.)			
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<p>7. Review and concur in the appointment, replacement, reassignment, or dismissal of the I.A.</p> <p>(See the tool “Guidelines for Hiring the Chief Audit Executive,” in this toolkit.)</p>	<p>Meet in executive session at each meeting with the I.A.</p> <p>Hold special meetings as may be necessary to address appointment, reassignment, or dismissal of I.A.</p> <p>The audit committee chair should be available if any unforeseen issues arise between meetings relating to the I.A.</p> <p>Meet at least once annually with other members of executive management and the external auditors to discuss the performance of I.A.</p> <p>Discuss job satisfaction and other employment issues with the I.A.</p>	<p>Report to the full board on the performance of the I.A./I.A. including the effectiveness of the internal audit function.</p>	<p>Conduct ongoing reviews, as changes can be made at any time during the year.</p>	

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<p>8. Appoint the independent auditors to be engaged by the credit union, establish the audit fees of the independent auditors, pre-approve any non-audit services provided by the independent auditors before the services are rendered.</p> <p>Review and evaluate the performance of the independent auditors and review with the full board of directors any proposed discharge of the independent auditors.</p> <p>(See the tools: “Sample Request for Proposal Letter for CPA Services (Public Credit Union),” “Sample Request for Proposal Letter for CPA Services (Nonpublic Organization),” and “Peer Review of CPA Firms: An Overview,” in this toolkit.)</p>	<p>At least once each year, discuss each of these items with management, the I.A., and the board of directors.</p> <p>Review total audit fee in relation to any nonaudit services being provided by the independent auditor.</p> <p>Discuss the Audit Committee’s review of the independent auditors with the board of directors.</p> <p>Ascertain that the independent auditors do not perform any nonaudit service that is prohibited by the American Institute of Certified Public Accountants or state licensing board.</p>	<p>Report and recommend on the performance and fees paid to the independent auditors. Review the scope of <i>all</i> services provided by the independent audit firm throughout the organization.</p>	<p>Review soon after year-end, so that the recommendation for the appointment of the outside auditor can be included in the proxy statement.</p>	
<p>9. Ascertain the need to rotate the lead (or concurring) audit partner from the public accounting firm performing audit services. Partner rotation should be considered every 5-7 years.</p>	<p>Establish when the five-year limit will be reached for the current lead partner. At least a year prior to that time, discuss transition plans for the new lead partner.</p>	<p>Document these discussions in Audit Committee meeting minutes</p>	<p>Review annually with the independent auditors.</p>	

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<p>10. Review with management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the independent auditors.</p>	<p>Review policies and procedures annually. Discuss with chief audit executive the need for testing by either the internal auditors, independent auditors, or other parties.</p>	<p>Report issues, if any, to the board.</p>	<p>Review policies and procedures at the second quarterly meeting and discuss audit plan. Review any significant findings as they arise.</p>	
<p>11. Consider, with management, the rationale for employing audit firms other than the principal independent auditors.</p>	<p>Establish a policy for the Audit Committee to pre-approve engaging auditors other than the principal independent auditors.</p> <p>Use RFPs for engaging auditors or other professionals for nonaudit, or other services that the auditor cannot perform.</p> <p>Review compliance with the policy by management.</p> <p>(See the tools "Sample Request for Proposal Letter for CPA Services (Public Credit union)," and "Sample Request for Proposal Letter for CPA Services (Nonpublic Organization)" in this toolkit.)</p>	<p>Document auditor selection criteria. Also, use a decision matrix to evaluate and document external auditor selection.</p> <p>Prepare an engagement letter for each engagement.</p>	<p>Continually review the policy and compliance with it.</p> <p>Other auditors may need to be hired at any point during the year.</p>	

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12. Inquire of management, the I.A., and the independent auditors about significant risks or exposures facing the credit union; assess the steps management has taken or proposes to take to minimize such risks to the credit union; and periodically review compliance with such steps.	Create a portfolio that documents the material risks that the credit union faces. Update as events occur. Review with management and the I.A. quarterly or sooner if necessary, to make sure it is up-to-date.	Submit a risk report including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.	Review at least once each year, and more frequently if necessary.	
13. Review with the independent auditor, the controller of the credit union, and the I.A., the audit scope and plan of the internal auditors and the independent auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.	Meet with independent audit partner, the controller and I.A. to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year.	Document the meeting in the Audit Committee meeting minutes.	At the second quarter meeting each year, review the scope of the previous year's audit, and the inter-relationship between the internal and external auditors with respect to the scope of the independent auditors' work. At the third quarter meeting each year, review the plans for the audit of the current year.	
14. Review with management and the I.A.: <ul style="list-style-type: none"> • Significant findings on internal audits during the year and management's responses thereto • Any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work or access to required information • Any changes required in the scope of their internal 	Review reports of all internal audits from the preceding 12 months and planned for the upcoming six months along with the status of each planned audit. Review and discuss the findings for each audit completed since the prior meeting, and management's response to the report. Discuss internal audit department budget and staffing with I.A..	Report on the status of all internal audits planned for the next quarter and/or year.	Review at each meeting.	

audit				
Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> The internal auditing department budget and staffing The internal auditing department charter Internal auditing's compliance with the Institute of Internal Auditors' (IIA's) Standards for the Professional Practice of Internal Auditing (Standards) 	<p>Discuss internal audit's compliance with IIA Standards, including the requirement for a peer review once every five years.</p>			
<p>15. Inquire of the CEO and CFO regarding the "quality of earnings" of the credit union from a subjective as well as an objective standpoint.</p>	<p>Discuss "quality of earnings" with the CEO, CFO, and other executives. Identify any issues addressed, and their resolution.</p>	<p>Include in agenda for executive sessions. (See the tool "Conducting an Audit Committee Executive Session: Guidelines and Questions," in this toolkit.)</p>	<p>Review, as necessary, but at least annually.</p>	
<p>16. Review with the independent accountants and the I.A.:</p> <ul style="list-style-type: none"> The adequacy of the credit union's internal controls including computerized information system controls and security 	<p>Review the reports of the internal audit team for all audits completed since the prior Audit Committee meeting.</p> <p>Review key internal controls with the I.A., and understand how these controls will be tested during the year.</p>	<p>Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.</p>	<p>Submit a comprehensive report to the board at the second quarter meeting each year.</p> <p>Update on anything new, or any changes to the internal control system, at every meeting.</p>	

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<ul style="list-style-type: none"> Any related significant findings and recommendations of the independent auditors and internal audit services together with management's responses thereto (See the tools "Internal Control: A Tool for the Audit Committee," and "Fraud and the Responsibilities of the Audit Committee: An Overview" in this toolkit.)	Review these plans with the independent auditor to understand their scope with respect to key controls. Review with the I.A. the plans for audits of other elements of the control environment. Determine that all internal control weaknesses are quantified, reviewed, and addressed.			
17. Review with management and the independent auditor the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any. (See the tool "Management's Summary of Off-Balance-Sheet Transactions," in this toolkit.)	Independently, through professional reading and CPE, keep up-to-date on new developments related to the industry, and the environment in which the credit union operates, including any regulatory requirements it may be subject to. Discuss with management and the independent auditors in meetings.	Record discussion and any action steps in Audit Committee meeting minutes.	Review as necessary.	
18. Review with management, the independent auditors, and the I.A., the interim annual financial report before it is filed with the Securities and Exchange Commission (SEC) or other regulators.	At a minimum, meet by telephone prior to any earnings release (annual or quarterly) and any SEC filings such as 10-K, 10-Q, 8-K.	Audit Committee approval of the press release, and/or SEC filings.	Review each quarter and as needed.	

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<p>19. Review with each public accounting firm that performs an audit:</p> <ul style="list-style-type: none"> • All critical accounting policies and practices used by the credit union. • All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the credit union, the ramifications of each alternative, and the treatment preferred by the credit union. <p>(See the tool “Issues Report from Management” in this toolkit.)</p>	<p>Discuss each matter, and related matters that may come to the attention of the Audit Committee and/or the independent auditors through this process.</p> <p>Create an action plan and follow-up plan as necessary.</p>	<p>Submit reports and documentation of discussions and resolution of disagreements.</p>	<p>Review, at least annually, and/or in conjunction with the year-end audit.</p>	
<p>20. Review all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.</p>	<p>Discuss each item with the independent auditors and management (including the I.A.) and conclude on the appropriateness of the proposed resolution.</p>	<p>Submit reports and documentation of discussions, resolution of issues, and the action plan for any items requiring follow-up and monitoring.</p>	<p>Review, at the completion of the independent audit.</p>	

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<p>21. Review with management and the independent auditors:</p> <ul style="list-style-type: none"> • The credit union’s annual financial statements and related footnotes • The independent auditors’ audit of the financial statements and their report thereon • The independent auditors’ judgments about the quality, not just the acceptability, of the credit union’s accounting principles as applied in its financial reporting • Any significant changes required in the independent auditors’ audit plan • Any serious difficulties or disputes with management encountered during the audit • Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, <i>Communication With Audit Committees</i> (AICPA, <i>Professional Standards</i>, vol. 1, AU sec. 380), as amended, related to the conduct of the audit. 	<p>Discuss each matter, and others that may come to the attention of the audit committee through this process, with management (including the I.A.) and the independent auditors.</p> <p>Review with management the course of action to be taken for any action requiring follow-up.</p> <p>Monitor any follow-up action that requires continued audit committee intervention.</p> <p>(See the tool “Discussions to Expect from the Independent Auditor,” in this toolkit.)</p>	<p>Submit reports and documentation of discussions, resolution of disagreements, or action plan for any item requiring follow-up.</p>	<p>Review at the completion of the independent audit.</p>	

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<p>22. Review with the general counsel and the I.A. legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements, related credit union compliance policies, and programs and reports received from regulators.</p>	<p>Discuss whether the credit union is in compliance with laws and regulations that govern the environment(s) and industry(ies) in which it operates, as well as other applicable laws and regulations.</p>	<p>Report to the board that the review has taken place and any matters that need to be brought to its attention.</p>	<p>Review at each meeting.</p>	
<p>23. Periodically review the credit union's code of conduct to ensure that it is adequate and up-to-date.</p> <p>Review with the I.A. and the credit union's general counsel the results of their review of the monitoring of compliance with the credit union's code of conduct.</p>	<p>Review results with the I.A. and general counsel. Consider any adjustments that may be necessary to the credit union's code of conduct.</p> <p>Consider steps that may need to be taken to ensure that compliance is at the highest possible level.</p>	<p>Report to the board that the review of the code of conduct was done.</p> <p>Recommend changes to the code of conduct to the board as needed.</p>	<p>Review annually at the fourth quarter meeting.</p> <p>Review any significant findings as they arise.</p>	
<p>24. Review the procedures for the receipt, retention, and treatment of complaints received by the credit union regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization.</p> <p>Review any complaints that might have been received, current status, and resolution if one has been reached.</p>	<p>Review procedures with I.A. and the general counsel.</p> <p>Review all complaints that have been received and the status of resolution.</p> <p>Ensure that proper steps are taken to investigate complaints and resolve timely.</p> <p>(See also the tool "Tracking Report: Anonymous Submission of Suspected Wrongdoing (Whistleblowers)" in this toolkit.)</p>	<p>Review an original of each complaint received, no matter the media used to submit. Discuss the status or resolution of each complaint.</p> <p>Review a cumulative list of complaints submitted to date to review for patterns or other observations.</p>	<p>Review at each meeting.</p>	

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<p>25. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters.</p> <p>Review any submissions that have been received, the current status, and the resolution if one has been reached.</p>	<p>Review procedures with the I.A. and the general counsel.</p> <p>Review all complaints that have been received and the status of resolution.</p> <p>Ensure that proper steps are taken to investigate complaints and resolve timely.</p>	<p>Review an original of each complaint received no matter the media used to submit. Discuss the status of resolution of each complaint.</p> <p>Review a cumulative list of complaints submitted to date to review for patterns or other observations.</p>	<p>Review at each meeting.</p>	
<p>26. The Audit Committee will perform such other functions as assigned by law, the credit union's charter or bylaws, or the board of directors.</p>	<p>Monitor developments in the regulatory, legislative, and legal environments and respond to any new requirements as needed.</p>		<p>Review new business, at all meetings</p>	
<p>27. The Audit Committee will evaluate the independent auditors and internal auditors.</p>	<p>Use information from executive sessions conducted throughout the year.</p> <p>Use a formal assessment tool for each group.</p> <p>(See the tools “Evaluating the Internal Audit Team: Guidelines and Questions,” and “Evaluating the Independent Auditor: Questions to Consider” in this toolkit.) See also the tool “Tracking Report: Anonymous Submission of Suspected Wrongdoing (Whistleblowers)” in this toolkit.)</p>	<p>Submit recommendations for change in process and procedures. For independent auditors, request RFPs if changes are being considered.</p>	<p>Review after completion of the annual audit.</p>	

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28. The Audit Committee will review its effectiveness.	The Audit Committee will conduct a self-assessment and 360-degree evaluation of all members. (See the tool “ Conducting an Audit Committee Self-Evaluation: Guidelines and Questions ,” in this toolkit.)	Discuss recommendations for improving the effectiveness of the Audit Committee with the board of directors (BOD). Record in BOD minutes.	Review annually.	
29. Create an agenda for the ensuing year or review and approve the agenda submitted by the I.A..	Complete the “Audit Committee Charter Matrix.” (Use this tool as a sample, and tailor it to your organization.)		Review at the fourth quarter meeting for the upcoming year.	
30. Oversee the preparation of an annual report of the Audit Committee as required by the rules of the SEC and the annual affirmation required by the appropriate listing exchange, if necessary. When required by SEC rules, include in the annual Proxy Statement for the Credit union a report of the Committee in accordance with the Proxy Rules promulgated by the SEC.	Review and discuss the report prepared by the I.A..	Annual report finalized and issued per SEC regulations and regulations of the listing exchanges as appropriate.	Review annually at the first quarter meeting.	