

## THE BOARD INSTITUTE/FERF AUDIT COMMITTEE CHECKLIST

The more engaged and knowledgeable the audit committee is, the more risk is diffused and deflected. The Board Institute offers the following checklist questions, based on input from the broad range of experts that include CFOs, corporate Directors, CEOs, auditors, CPAs and other financial experts who interact on a regular basis with boards of directors.

*A key solution for the audit committee in helping to manage risk is the Audit Committee index objective, board-driven, confidential, web based evaluation tool to allow a company to assess the strengths of its audit committee and highlight areas for improvement. The content of The Audit Committee Index was developed in cooperation with the Financial Executives Research Foundation, Inc. (FERF), the research affiliate of Financial Executives International (FEI), the professional association of choice for 15,000 senior-level corporate financial executives.*

### FINANCIAL EXECUTIVES CHECKLIST FOR THE AUDIT COMMITTEE

- Are you confident that the audit committee members understand your financial and performance measures?
- Are you confident in the integrity of the controls below you, in order to be sure you are giving the appropriate information to the audit committee?
- Is the information consistent throughout the strategic plan, the management’s discussion and analysis, and the financial statements?
- How is the audit committee involved in reviewing the quarterly press release disclosing financial results and related SEC filings including Management, Discussion and Analysis?
- Do you provide a risk dashboard or other clear valuation of risk factors?
- How are disagreements or difficult accounting issues brought to the attention of the audit committee?
- Does the audit committee approve related party transactions and potential conflicts of interest?
- Does the audit committee understand and drive the “tone at the top” regarding financial reporting?
- Does the audit committee ensure that the finance group has appropriate staffing and has adequate capabilities?
- Does the audit committee approve the annual budget and the areas of focus of the internal audit group?
- Does the audit committee receive quarterly reports from the internal audit group on their activity and major findings?
- Is the Audit Committee informed about the company’s strategy, significant financial estimates, important financial areas, revenue recognition policies, risk factors and any compensation plans which might cause improper behavior?
- Do employees have a way to provide information directly to the audit committee?
- Do shareholders communicate readily with the board?
- Is the audit committee involved in whistle blowing issues?
- Is the finance group involved in the assessment of the audit committee?
- Have you had any issues regarding:
 

a. Revenue Recognition	e. Overstatement of inventory estimates
b. Overstatement of accounts receivable	f. Acquisition accounting
c. Overstatement of other assets	g. Derivatives/hedging
d. Understatement of liabilities	h. Non-recurring items
- Does the audit committee and those working closely with the committee conduct a comprehensive assessment of the committee’s effectiveness?

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Mail your response to this question and receive a free copy of Corporate Governance Survey (available in PDF only) by Mark R. Edwards, Ph.D. ©December 2004, based on a corporate governance survey conducted by FERF and The Board Institute (TBI) that illustrates the increasing emphasis on building strong corporate boards, focusing on audit committees.

**Your response will also automatically enter you into TBI’s drawing to receive a one-year subscription to The Audit Committee Index, a web-based tool to independently, confidentially and comprehensively assess the effectiveness of your audit committee.**

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

E-Mail Address \_\_\_\_\_

**About The Board Institute:**

The Board Institute is a web-based 360 degree assessment and education solution for boards. It provides director driven, comprehensive, board governance software and services enable public and private corporations to enhance, benchmark and demonstrate best practices in governance. The Board Institute Indices conduct assessment against best practices and a company's own performance. Assessment solutions include The Board Index, The Audit Committee Index, The Compensation Committee Index, The Governance Committee Index and The Director Index.

For more information see the website at [www.Theboardinstitute.com](http://www.Theboardinstitute.com) or call 480-998-1081.

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