

# **Role of Audit and Finance Committees**

**CFO ROUNDTABLE  
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# Finance Committee vs. Audit Committee

- Finance Committee:
  - Oversees the preparation of the annual budget and financial statements
  - Monitors the funds of the organization
  - Reviews investment policies
  - Advises the Board with respect to making significant financial decisions
- Audit Committee:
  - Independent oversight of accounting and financial reporting
  - Oversees annual audit process (both external & internal)

# What is the purpose of an Audit Committee?

- Governance
- Ethics
- Adequacy of Internal Control
- Review of Tax-Exempt Status
- Protection of Employees Who Raise Concerns

# Audit Committee Structure

- Board of Directors Appoint Members
- At Least Three (3) Members of the Board and one (1) Financial Expert
- All Members Should be Financially Literate
- Meet At Least Two (2) Times Annually
- Additional Meetings as Considered Necessary

## Audit Committee Structure (Continued)

- Suggest Two (2) Meetings Annually with the Outside Audit Firm
  - 1 – To Plan the Audit
  - 2 – To Discuss Conclusions and Evaluate the Audit Process
- Executive Session – A Best Practice
- Review the Annual Audit
- Recommend Approval or Modification of the Annual Audit to the Full Board

# Fraud – Responsibilities of the Audit Committee

- Active Role in Prevention & Deterrence of Fraud through Policy Creation and Suggestion
- Effective Ethics and Compliance Program
- Challenge Management & Auditors Regarding the Anti-Fraud Programs & Controls in Place
- Understand Actions Taken Against Known Perpetrators of Fraud
- Assist in Audit Planning by Noting Areas of Risk

# Prevention, Deterrence, Investigation & Discovery or Detection of Fraud

- Monitor the Financial Reporting Process
- Overseeing the Internal Control System
- Identifying and Addressing Areas of Risk
- Overseeing the Internal and External Audit Processes
- Reporting Findings to the Board of Directors



# Working Efficiently With Your Audit Committee

- Provide Information on Organizational Policies and Procedures
- Provide Timely Financial Information/Reports/Analytics
- Invite them to Review:
  - Current Accounting/Financial Procedures
  - Review RFP for New Auditors
  - Policy Changes Which Affect the Financial Health of the Organization
- Be the Liaison Between the Audit Committee and the External Auditors

# Resources for Audit Committees

- **Alliance for Nonprofit Governance** [www.angonline.org](http://www.angonline.org)
- **American Institute of Certified Public Accountants**  
[www.aicpa.org](http://www.aicpa.org)
  - Audit Committee Effectiveness Center — [www.aicpa.org/acec](http://www.aicpa.org/acec)
  - Antifraud and Corporate Responsibility Resource Center — <http://antifraud.aicpa.org/>
  - Sarbanes-Oxley Implementation Central — <http://cpcaf.aicpa.org/Resources/Sarbanes+Oxley/The+Changing+Regulatory+Landscape.htm>

# Resources for Audit Committees (Continued)

- **American Society of Association Executives** [www.asaenet.org](http://www.asaenet.org)
- **Association of Audit Committee Members, Inc.** [www.aacmi.org](http://www.aacmi.org)
- **Association of Certified Fraud Examiners** [www.cfenet.com](http://www.cfenet.com)
- **Association of Community College Trustees** [www.acct.org](http://www.acct.org)
- **Association of Governing Boards of Colleges and Universities** [www.agb.org](http://www.agb.org)
- **BoardSource** [www.boardsource.org](http://www.boardsource.org)
- **Committee of Sponsoring Organizations of the Treadway Commission**  
[www.coso.org](http://www.coso.org)
- **Conference Board** [www.conference-board.com](http://www.conference-board.com)

# Resources for Audit Committees (Continued)

- **Council on Foundations** [www.cof.org](http://www.cof.org)
- **Ethics Officers Association** [www.eoa.org](http://www.eoa.org)
- **Financial Executives International** [www.fei.org](http://www.fei.org)
- **Harvard Business School's Corporate Governance, Leadership & Values** [www.cglv.hbs.edu](http://www.cglv.hbs.edu)
- **Independent Sector** [www.independentsector.org](http://www.independentsector.org)
- **Institute of Internal Auditors** [www.theiia.org](http://www.theiia.org)
- **Internal Revenue Service** [www.irs.ustreas.gov/charities/index.html](http://www.irs.ustreas.gov/charities/index.html)
- **IT Governance Institute** [www.itgi.org](http://www.itgi.org)
- **National Association of College and University Business Officers** [www.nacubo.org](http://www.nacubo.org)

# Resources for Audit Committees (Continued)

- **National Association of Corporate Directors** [www.nacdonline.org](http://www.nacdonline.org)
- **National Council of Nonprofit Associations** [www.ncna.org](http://www.ncna.org)
- **Nonprofit Coordinating Committee of New York, Inc.**  
[www.npccny.org](http://www.npccny.org)
- **Nonprofit Financial Center** [www.nfconline.org](http://www.nfconline.org)
- **Public Company Accounting Oversight Board** [www.pcaobus.org](http://www.pcaobus.org)
- **The Sarbanes-Oxley Act of 2002**  
[www.aicpa.org/info/sarbanes\\_oxley\\_summary.htm](http://www.aicpa.org/info/sarbanes_oxley_summary.htm)

# GROUP DISCUSSION



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