

Audit committee performance evaluation

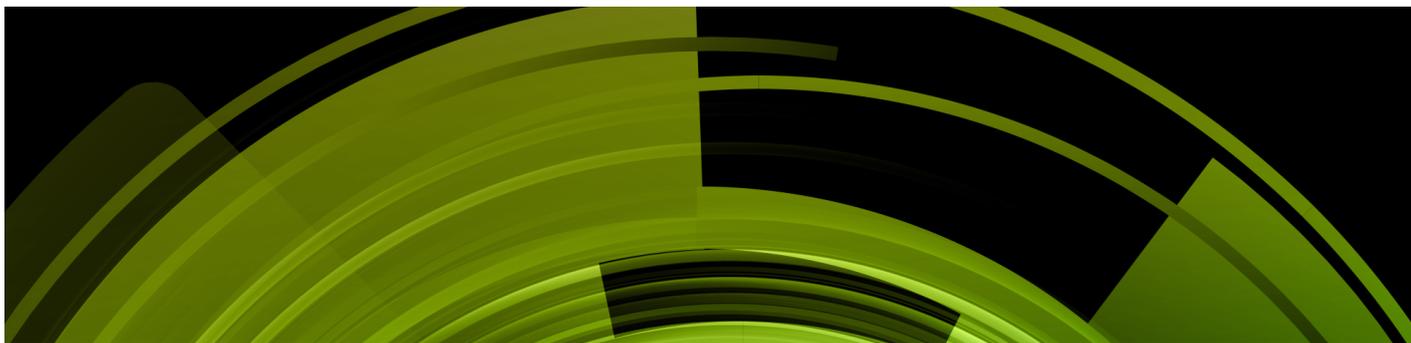
The following questionnaire is based on leading practices to assist an audit committee in performing a self-assessment of its performance. This sample tool may not contain all of the criteria applicable to each committee, nor does it suggest all of the criteria should apply to each committee.¹ Each company should consider the items that are most relevant to it and/or its audit committee.²

For each of the following statements, select a number between 1 and 5, with 1 indicating that you strongly disagree and 5 indicating that you strongly agree. Leave blank if the statement is not applicable or you do not have enough information to rank the audit committee on that particular item.

Composition and quality	Strongly disagree	←————→			Strongly agree
1. Qualified audit committee members are identified by sources independent of management (e.g., independent board members assisted by an outside search firm).	1	2	3	4	5
2. Audit committee members have the appropriate qualifications to meet the objectives of the audit committee charter, including appropriate financial literacy.	1	2	3	4	5
3. The audit committee demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively, strong interpersonal skills, and the willingness to address issues proactively.	1	2	3	4	5
4. The audit committee demonstrates appropriate industry knowledge and includes a diversity of experiences and backgrounds.	1	2	3	4	5
5. Members of the audit committee meet all applicable independence requirements.	1	2	3	4	5
6. The audit committee participates in a continuing education program to enhance its members' understanding of relevant accounting, reporting, regulatory, auditing, and industry issues.	1	2	3	4	5
7. The audit committee monitors compliance with corporate governance regulations and guidelines.	1	2	3	4	5
8. The audit committee reviews its charter annually to determine whether its responsibilities are described adequately and recommends changes to the board for approval.	1	2	3	4	5
9. New audit committee members participate in an orientation program to educate them on the company, their responsibilities, and the company's financial reporting and accounting practices.	1	2	3	4	5
10. The audit committee chair is an effective leader (e.g., runs committee meetings efficiently and effectively, stays coordinated with the board and other committees, keeps open lines of communication with management, internal audit, and independent auditor, etc.).	1	2	3	4	5
11. The audit committee, in conjunction with the nominating committee (or its equivalent), creates a succession and rotation plan for audit committee members, including the audit committee chair.	1	2	3	4	5

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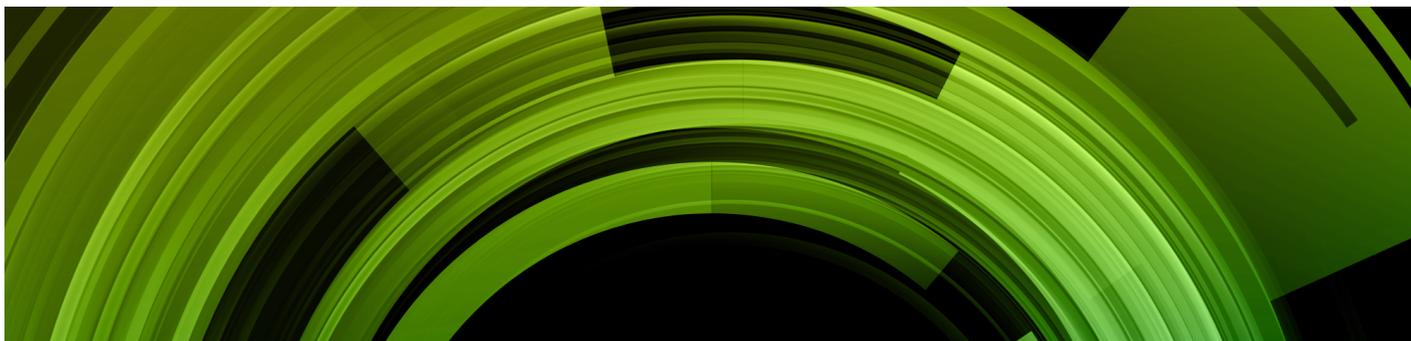
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Composition and quality	Strongly disagree	←————→			Strongly agree
10. The audit committee chair is an effective leader (e.g., runs committee meetings efficiently and effectively, stays coordinated with the board and other committees, keeps open lines of communication with management, internal audit, and independent auditor, etc.).	1	2	3	4	5
11. The audit committee, in conjunction with the nominating committee (or its equivalent), creates a succession and rotation plan for audit committee members, including the audit committee chair.	1	2	3	4	5
Average					

Understanding the business, including risks	Strongly disagree	←————→			Strongly agree
12. The audit committee considers significant risks that may directly or indirectly affect financial reporting, even in instances where such risks are overseen by the full board or other committees. Examples include: <ul style="list-style-type: none"> – Regulatory and legal requirements – Concentrations (e.g., suppliers and customers) – Market and competitive trends – Financing and liquidity needs – Financial exposures – Business continuity – Cybersecurity – Company reputation – Financial strategy execution – Financial management’s capabilities – Management override – Fraud control – Company pressures, including “tone at the top” 	1	2	3	4	5
13. The audit committee considers, understands, and approves the process implemented by management to effectively identify, assess, and respond to the organization’s risks.	1	2	3	4	5
14. The audit committee understands and approves management’s fraud risk assessment and has an understanding of identified fraud risks.	1	2	3	4	5
15. The audit committee considers the company’s performance versus that of its peers in a manner that enhances comprehensive risk oversight by using reports provided directly by management to the audit committee or at the full board meeting. These may include benchmarking information comparing the company’s financial performance and ratios with industry competitors and peers, industry trends, analyst estimates, and budget analysis with explanations for areas where significant differences are apparent.	1	2	3	4	5
Average					

Audit committee performance evaluation



Process and procedures	Strongly disagree	←————→			Strongly agree
	1	2	3	4	5
16. The audit committee reports its proceedings and recommendations to the board after each committee meeting.	1	2	3	4	5
17. The audit committee develops a calendar that dedicates the appropriate time and resources needed to execute its responsibilities.	1	2	3	4	5
18. Audit committee meetings are conducted effectively, with sufficient time spent on significant or emerging issues.	1	2	3	4	5
19. The level of communication between the audit committee and relevant parties is appropriate; the audit committee chair encourages input on meeting agendas from committee and board members, management, the internal auditors, and the independent auditor.	1	2	3	4	5
20. The audit committee sets clear expectations and provides feedback to the full board concerning the competency of the organization's CFO and senior financial management.	1	2	3	4	5
21. The audit committee has input into the succession planning process for the CFO.	1	2	3	4	5
22. The agenda and related information (e.g., prior meeting minutes, press releases, financial statements) are circulated in advance of meetings to allow audit committee members sufficient time to study and understand the information.	1	2	3	4	5
23. Written materials provided to audit committee members are relevant and concise.	1	2	3	4	5
24. Meetings are held with enough frequency to fulfill the audit committee's duties and at least quarterly, which should include periodic visits to company locations with members of management.	1	2	3	4	5
25. Regularly, audit committee meetings include separate private sessions with management and the internal and independent auditors.	1	2	3	4	5
26. The audit committee maintains adequate minutes of each meeting.	1	2	3	4	5
27. The audit committee and the compensation committee regularly review management incentive plans to consider whether the incentive process is appropriate.	1	2	3	4	5
28. The audit committee meets periodically with the committee responsible for reviewing the company's disclosure procedures.	1	2	3	4	5
29. The audit committee respects the line between oversight and management of the financial reporting process.	1	2	3	4	5
30. Audit committee members come to meetings well prepared.	1	2	3	4	5
Average					

Additional Notes:

Audit committee performance evaluation

Oversight of the financial reporting process, including internal controls	Strongly disagree				Strongly agree
	1	2	3	4	5
31. The audit committee considers the quality and appropriateness of financial accounting and reporting, including the transparency of disclosures.	1	2	3	4	5
32. The audit committee reviews the company's significant accounting policies.	1	2	3	4	5
33. The audit committee understands and approves the process used by management to identify and disclose related-party transactions.	1	2	3	4	5
34. The audit committee has a process for reviewing quarterly and annual earnings releases, including pro forma or non-GAAP information and other significant financial information or earnings guidance, with management and the independent auditor.	1	2	3	4	5
35. The audit committee oversees the organization's external financial reporting and internal control over financial reporting. This oversight includes a process for reviewing Forms 10-Q and 10-K (including management's discussion and analysis), proxies, and other filings before they are issued and providing comments to management and the independent auditor when applicable.	1	2	3	4	5
36. The audit committee reviews the processes related to financial statement certifications made by the CEO and the CFO.	1	2	3	4	5
37. The audit committee receives sufficient information to assess and understand management's process for evaluating the organization's system of internal controls (e.g., financial reporting and disclosure controls, operation controls, compliance controls) and also believes that management's scope of internal control testing adequately supports its internal control assessment.	1	2	3	4	5
38. The audit committee understands and gives appropriate consideration to the internal control testing conducted by management, the internal auditors, and the independent auditor to assess the process for detecting internal control issues or fraud. Any significant deficiencies or material weaknesses that are identified are addressed, reviewed, and monitored by the audit committee.	1	2	3	4	5
39. The audit committee makes inquiries of the independent auditor, internal auditors, and management on the depth of experience and sufficiency of the company's accounting and finance staff.	1	2	3	4	5
40. The audit committee reviews the management recommendation letters written by the independent and internal auditors and monitors the process to determine that all significant matters are addressed.	1	2	3	4	5
41. The audit committee oversees that management takes action to achieve resolution when there are repeat comments from auditors, particularly those related to internal controls.	1	2	3	4	5
42. Adjustments to the financial statements that resulted from the audit are reviewed by the audit committee, regardless of whether they were recorded by management.	1	2	3	4	5
43. The audit committee is consulted when management is seeking a second opinion on an accounting or auditing matter.	1	2	3	4	5
Average					

Additional Notes:



Oversight of audit functions	Strongly disagree ← → Strongly agree				
44. The audit committee understands the coordination of work between the independent and internal auditors and clearly articulates its expectations of each.	1	2	3	4	5
45. The audit committee regularly reviews the adequacy of the internal audit function (e.g., the charter; audit plan; budget; compliance; and number, quality, and continuity of staff).	1	2	3	4	5
46. The audit committee oversees the role of the internal audit director from selection to termination (e.g., appointment, evaluation, compensation, and retention) and provides feedback at least annually.	1	2	3	4	5
47. The internal audit reporting lines established with the audit committee promote an atmosphere where significant issues that might involve management will be brought to the attention of the audit committee.	1	2	3	4	5
48. The audit committee appropriately considers internal audit reports, management's responses, and steps toward improvement.	1	2	3	4	5
49. The audit committee oversees the role of the independent auditor from selection to termination and has an effective process to evaluate the independent auditor's qualifications and performance.	1	2	3	4	5
50. The audit committee considers the independent audit plan and provides recommendations.	1	2	3	4	5
51. The audit committee reviews the audit fees paid to the independent auditors.	1	2	3	4	5
52. The audit committee comprehensively reviews management's representation letters to the independent auditor, including making inquiries about any difficulties in obtaining the representations.	1	2	3	4	5
53. The audit committee preapproves all audit and non-audit services provided by the independent auditor and considers the scope of the non-audit services provided.	1	2	3	4	5
54. The audit committee reviews other professional services that relate to financial reporting (e.g., consulting, legal, and tax strategy services) provided by outside consultants.	1	2	3	4	5
55. The audit committee monitors the process to determine that the independent auditor's partners are rotated in accordance with applicable rules.	1	2	3	4	5
56. The audit committee has private sessions with management and the internal and independent auditors that result in candid discussion of pertinent issues.	1	2	3	4	5
Average					

Additional Notes:

Audit committee performance evaluation

Ethics and compliance	Strongly disagree				Strongly agree
	1	2	3	4	5
57. Audit committee members oversee the process and are notified of communications received from governmental or regulatory agencies related to alleged violations or areas of noncompliance.	1	2	3	4	5
58. The audit committee oversees management’s procedures for enforcing the company’s code of conduct.	1	2	3	4	5
59. The audit committee determines that there is a senior-level person designated to understand relevant legal and regulatory requirements.	1	2	3	4	5
60. The audit committee oversees the organization’s hotline or whistleblower process, reviews the log of incoming calls that relate to possible fraudulent activity, and understands the procedures to prohibit retaliation against whistleblowers.	1	2	3	4	5
Average					

Monitoring activities	Strongly disagree				Strongly agree
	1	2	3	4	5
61. An annual performance evaluation of the audit committee is conducted, and any matters that require follow-up are resolved and presented to the full board.	1	2	3	4	5
62. The company provides the audit committee with sufficient funding to fulfill its objectives and engage external parties for matters requiring external expertise.	1	2	3	4	5
Average					
Average of all sections					

Additional Notes:



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