Audit Committee Checklist

During the Year and Pre-Audit

- Review the independence of the audit firm and any potential conflicts of interest. Select and retain the audit firm for the current year.
- Review prior year communications from the auditor, including the management letter, schedules of audit adjustments and other documents and related responses by management throughout the year.
- Review the system of internal controls in place to determine their adequacy and effectiveness. Recommend improvements.
- Review material transactions, agreements and other arrangements between the organization and its employees and board members to identify potential conflicts of interest.
- Review accounting estimates and management assumptions used in the preparation of financial statements.

During the Audit

- Ask the auditors about any significant changes to accounting or auditing standards that may affect your organization’s audit.
- Inform the auditors of any audit risks or other concerns identified by the board and its committees.
- Be informed about the nature of audit adjustments that could have significant implications on the financial reporting process.
- Monitor timeline and progress of the audit, noting the nature of any significant issues or delays that arise.

Post-Audit

- Meet with external auditors to discuss scope, concerns, conflicts of interest and findings of the audit.
- Interview the management team about the audit experience and any situations that create discomfort (e.g. fraud concerns, processes, risks, etc.).
- Review auditor findings and interview notes; compile recommendations about necessary steps for the organization to take to improve internal controls and operational procedures.
- Evaluate the auditors and their retention for following year.

Other helpful resources

Type the following into your search engine for more resources:
- National Council of Nonprofits’ Managing an Audit: A Step-by-Step Approach
- AICPA Not-for-Profit Audit Committee Toolkit Downloads
The IRS encourages board members to review and approve the Form 990 prior to filing with the IRS and describe the process undertaken. While not a requirement, it is best practice to have it reviewed and approved at the board level. Here are some key points board members should be aware of during the review:

- Be aware of changes in financial results from year-to-year (Part I)
- Be familiar with what programs are being described (Part III)
- Be familiar with the responses in the governance section (Part VI)
- Be aware of compensation disclosures (Part VII and Schedule J)
- Understand the need for identifying family and business relationships (Part VI and Schedule L)
- Know the expense allocation percentages and what they mean (Part IX)
- Know if the organization has UBI and for what (Part I and Form 990-T)
- Understand the public support test – are you passing by a lot or a little? (Schedule A)
- Read Schedule O – ensure the description of policies and practices is in line with actual operations.