



## Tips for Establishing an Audit Committee for a Professional Association

### Overview

To establish a nonprofit association's Audit Committee, you should define clear roles, recruit a diverse and financially literate team, establish a charge, and provide training.

An Audit Committee's responsibilities usually include:

- Overseeing financial reporting.
- Managing risk.
- Maintaining a viewpoint of the entire association; sometimes this means having a different position from officers, etc.

### Committee Composition and Structure

- **Appoint a Diverse Committee:**

Recruit 3 to 5 members with a variety of backgrounds and experiences to provide different perspectives.

- **Prioritize Independence:**

Ensure committee members are objective and can look objectively at the organization.

- **Appoint a Leader:**

Choose a chair with strong leadership, communication, and problem-solving skills, along with financial and risk management experience.

- **Ensure Financial Literacy:**

Try to include at least one member who is financially literate and has experience in preparing, analyzing, or auditing financial statements.

### Governance and Responsibilities

- **Create an Audit Committee Charge:**

Draft a formal charge that outlines the committee's duties, responsibilities, and reporting structure to ensure transparency and clarity. This should be done in conjunction with the association's President.

- **Define Clear Roles:**

The committee's primary role is to assist the Board of Directors in its oversight of financial reporting and internal controls. Its duties include overseeing the integrity of financial reporting, managing risk, and interacting with any internal and external auditors.

- **Review and Update:**

Review the Audit Committee Charge annually to ensure it accurately reflects the committee's responsibilities.

## **Training and Onboarding**

- **Onboard New Members:**

Ensure all new members understand the organization's mission, funding sources, and specific reporting requirements.

- **Provide Training:**

Develop training that covers the organization's budget, financial operations, relevant laws, the auditing process, and the committee's specific policies and procedures.

- **Set Clear Expectations:**

Work with the committee to determine exactly how it will function, carry out its duties, and report back to the board.