

Breakout 4: **The Audit Committee's Agenda**

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BankDirector.
#BBTF24



Bank Director – Bank Board Training Forum

The Audit Committee's Agenda

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The Audit Committee's Agenda **Topics for Discussion**

1. FDICIA – How Does It Impact You?
2. Audit Committee Charter – Have One?
3. What Every Audit Committee Should Ask
4. Agenda Topics & Frequency
5. Q&A

FDICIA refers to the FDIC Improvement Act passed in 1991.



Meet the Presenters



Matthew Cannon

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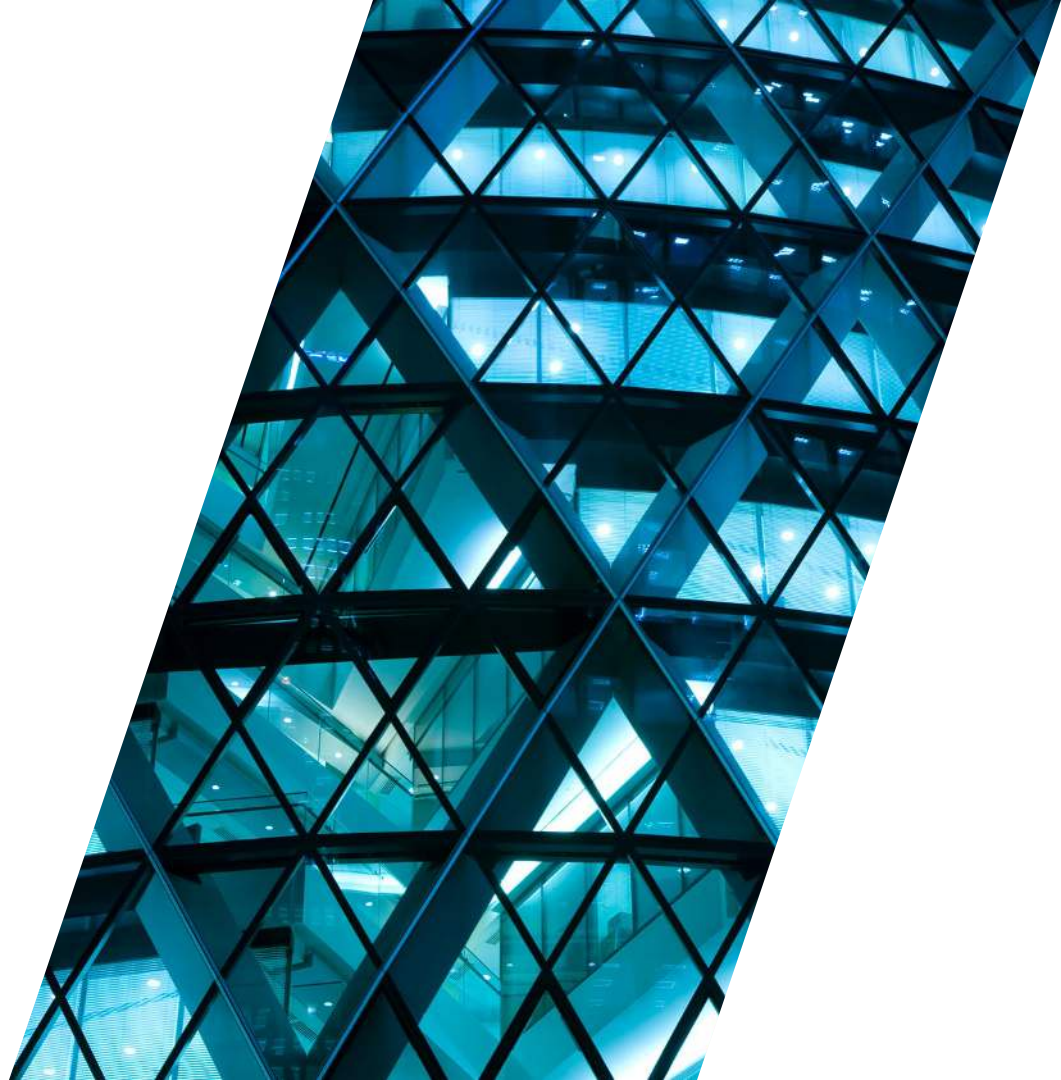
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The Audit Committee's Agenda

FDICIA

FDICIA put banks into tiers by asset size – the requirements increase when you cross \$500 million / \$1 billion.

What Changes?

- \$500 million, audit of financial statements required
- \$1 billion, audit of ICFR required

ICFR = Internal controls over financial reporting

Audit Committee responsibilities increase as banks grow above certain thresholds. The Audit Committee makeup must also be more **independent** as the Bank grows and include some **expertise**.



TIP: If approaching \$500 million or \$1 billion, start planning now.



The Audit Committee's Agenda

FDICIA

Summary of Requirements



DISCUSSION:

Why \$1 billion,
shouldn't that
increase?

Management report

Responsible for ICFR
Complies with laws & regs
Assessment of ICFR

Independent auditor report

Financial statements
Audit of ICFR

Audit Committee

Internal directors permitted
Outside directors
Majority independent
All independent
Must have banking experts

FDICIA REQUIREMENTS

Asset Size			
< \$500 Million	\$500 Million - \$1 Billion	\$1 Billion - \$3 Billion	> \$3 Billion
N/A	✓	✓	✓
N/A	✓	✓	✓
N/A	N/A	✓	✓
N/A	✓	✓	✓
N/A	N/A	✓	✓
✓	N/A	N/A	N/A
N/A	✓	✓	✓
N/A	✓	✓	✓
N/A	N/A	✓	✓
N/A	N/A	N/A	✓

ICFR - Internal Control over Financial Reporting

N/A - not applicable or not required

The Audit Committee's Agenda

Audit Committee Charter



Commonly Includes

- Makeup/Independence
- Responsibilities
- Meetings
- Reporting



TIP: Public companies post their charters – see *Investor Relations* section.

The screenshot shows a webpage titled "Governance Documents" with a navigation bar at the top containing "Home", "Investor Relations", and "Governance Documents". Below the title, there is a sub-header "Audit Committee Charter" and a list of documents with their dates. The documents listed are:

Date	Document Name
5/5/2024	Risk Committee Charter
1/16/2024	Corporate Governance Guidelines
1/16/2024	Executive Compensation Committee Charter
1/16/2024	Human Resources and Compensation Committee Charter
4/4/2023	Climate Sustainability Committee Charter
3/23/2023	Associate Code of Conduct
1/12/2023	Audit Committee Charter



Consider

- Has the charter been updated?
- Are FDICIA and other requirements included/met?
- Is “effective challenge” mentioned?
- Does it promote transparency and _____?

(improvement, performance, resolution, accountability, oversight, measurement, etc.)



DISCUSSION: Which CAMEL rating(s) does the Audit Committee impact?
(Capital, Asset Quality, Management, Earnings, Liquidity)

The Audit Committee's Agenda

Effective Challenge – What Every Audit Committee Should Ask (*Or Know*)



What areas are in our 'audit universe'?



Anything close to becoming a significant deficiency or matter requiring attention?



What's next?



TIP: Leave time in Audit Committee meetings for discussion, and then really have a discussion.



The Audit Committee's Agenda

Agenda Topics & Frequency

How many of these topics are covered in your regular Audit Committee agenda?

- Minutes
- External audit reports
- Internal audit reports
- Examination reports
- Findings tracker
- Performance reviews
- Policy approvals
- Hot line report
- Litigation summary
- Fraud/cyber report
- Other committee info
- BSA/SARs

A More than 9

B 6-9

C Less than 6

D Not sure



Bank Secrecy Act (BSA)
Suspicious Activity Reports (SARs)



TIP: Find out what other committees are covering.



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