



QUESTIONS AN AUDIT COMMITTEE MIGHT ASK AFTER THE COMPLETION OF THE AUDIT



Ask the External Auditor

1. Did the company or its counsel impose any limitations on you?
2. Did you observe any areas of serious concern over the corporate control environment?
3. Were any integrity or honesty concerns noted?
4. Did you detect any material errors, fraud, illegal acts or material weaknesses in the internal control system?
5. Were there any significant changes in financial statement amounts from the prior year? What was the cause of the change?
6. Did you have enough time to complete all phases of your audit?
7. Did management consult with you on tax matters? Is the liability for taxes adequate to cover potential assessments?
8. Were there any related party transactions noted as a result of your audit? Are the transactions properly recognized and disclosed in the financial statements?
9. How did you satisfy yourself that pending or threatened lawsuits are not likely to have a material effect on the financial statements?
10. Were there any disagreements regarding accounting, auditing or reporting matters between you and management? If so, how were they resolved?
11. Did management pressure you on contentious issues by threatening to “shop” for other auditors?
12. Were any adjustments or disclosures proposed by you not recorded by the company?
13. Are there any unresolved matters?
14. Are the accounting principles used by the company overly conservative or aggressive? What would be the effect of using alternative principles? Do the accounting principles conform with industry practice?
15. Were there any changes in accounting principles?
16. How did you satisfy yourself as to the reasonableness of any significant accruals or estimates made by management (e.g. doubtful accounts, valuation allowances, etc.)?
17. Did you review information furnished to other experts (e.g. actuaries)?
18. Are material risks and uncertainties properly accounted for and will they be adequately disclosed?
19. Are there any significant concerns about information systems and its ability to process, record and report financial transactions?



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20. What is management's attitude toward establishing strong internal controls? Do they set an effective example for the entire company? Do they follow-up on suggested changes? Were weaknesses reported by you last year corrected? Was management receptive to your recommendations?
21. Are there any material weaknesses in the company's internal control? Are appropriate changes being instituted?
22. Did you encounter any difficulties in obtaining the management representation letter or any specific representations?
23. What business advice do you have for the company?
24. How do you evaluate the company's tax planning?
25. What is your general assessment of the integrity and competence of the company's financial, accounting, computer and internal audit staffs? Are they respected groups within the company? Are they effective? What improvements would you recommend?
26. What percentage are the audit fees for this engagement in relation to your firm's total fees? Is that material?
27. What can the company do to reduce the audit time?
28. What are the advantages to the company in continuing its relationship with your firm?
29. Are there any other items that should be discussed with the audit committee?

Ask the Internal Auditor

1. What was the extent of your work on the audit?
2. Was there adequate coordination with the external auditors?
3. Did management impose any limitations on you?
4. Were any significant problems encountered?
5. Are you aware of any actual or possible illegal or questionable payments?
6. Are you aware of any related party, transactions not disclosed in the financial statements?
7. Are you aware of any management perquisites not included in officers' reported compensation?
8. Are you aware of any conflicts of interest between officers or employees and the company?
9. What are the department's goals and objectives for this year?
10. What will be the scope of your activities this year?
11. What new projects will you undertake?
12. How will you monitor the company's code of conduct?



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13. Do you feel your staff is adequate?
14. What additional work could you do to reduce the work of the external auditor?
15. Are the company's systems functioning with maximum efficiency at minimum cost?
16. Are there any other items that should be discussed with the audit committee?

Ask Management

1. Were there any disagreements between you and the external auditor? If so, how were they resolved?
2. Are the financial statements fairly presented?
3. What are the reasons for financial statement variations from the prior year?
4. What was the substance of significant issues raised by either corporate or outside counsel, and how are these matters reflected in the financial statements?
5. Did you consider any changes in accounting principles that were not ultimately adopted? Did you seek the opinions of other auditing firms on any accounting or auditing issues?
6. Are there any problems or difficulties as a result of the audit that we should know about?
7. What is your reaction to the suggestions contained in the external auditor's management letter?
8. What actions do you contemplate in response to these suggestions?
9. What is your evaluation of the external auditor's services this past year?
10. What significant changes do you foresee for the company this year?
11. Are there any other items that should be discussed with the audit committee?