

Audit or Finance Committee

The board of directors, as a whole, has the ultimate fiduciary responsibility for the accuracy of the nonprofit's financial reporting. Not every nonprofit has a separate audit committee that is responsible for the organization's internal financial controls and independent audit. In some nonprofits, the finance committee serves the dual role of both finance and audit committee.

The following chart demonstrates the distinct roles of the audit committee versus the finance committee in a nonprofit (source: Audit Committee Member Roles and Responsibilities, AICPA Toolkit)

Audit Committee	Finance Committee
Reviews the organization's financial statements and other official financial information provided to the public;	Oversees the preparation of the annual budget and financial statements. The finance committee ensures that budgets and interim financial statements are prepared;
Ensures that reports are received, monitored, and distributed correctly;	Oversees the administration, collection, and disbursement of the organization's financial resources, in addition to the related policies and procedures;
Oversees the organization's internal controls, including management's compliance with applicable policies and procedures and risk management (for example, for organizations that are part of a national network, annually reviewing whether the organization meets the re-chartering requirements of its national organization);	Advises the board with respect to making significant financial decisions, such as correcting or restructuring the organization's books and accounting procedures when fiscal problems arise;
Usually oversees the annual independent audit process, including engaging the independent auditor and receiving all reports and management letters from the auditor;	N/A
Reviews the annual information returns (IRS Form 990, related schedules, and forms) and recommends it for approval, signature, and submission by the appropriate officer. The audit committee also transmits the returns to the board for its review before signing and submitting it. The audit committee engages	Oversees the preparation and implementation of the governance policies referenced in the Form 990: conflict of interest, document retention, whistle-blower, review of executive compensation, etc.; and

<p>(on the board’s behalf) and interacts with the independent auditor or auditing firm. Many audit firms also prepare the federal and state tax returns for their nonprofit audit clients; and</p>	
<p>Reviews the organization’s procedures for reporting problems. The audit committee may exercise primary responsibility to review the whistle-blower policy and process, anti-fraud policies, and policy and procedures related to the discovery of errors or illegal acts, whistle-blower hotline, and other communication methods and determine the process for “special investigations” (whistle-blower allegations, anti-fraud compliance, discovery of errors or illegal acts).</p>	<p>Should ensure that joint membership between the audit committee and the finance committee meets local laws and regulations (if an organization has both committees).</p>
<p>The board may delegate other authority and/or duties to the audit committee.</p>	<p>N/A</p>