



The State Bar *of California*

180 Howard Street, San Francisco, CA 94105

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Audit Committee is charged with assisting the Board of Trustees in fulfilling its oversight responsibility as related to the integrity of accounting and financial reporting processes, the system of internal controls, and audit processes. In addition, the Audit Committee is charged with overseeing risk management and compliance efforts. The Audit Committee has a goal of including at least one public member of the Board of Trustees.

The Audit Committee shall:

- Undertake the following responsibilities relating to the annual financial statement audit:
 - Recommend appointment of the external auditors, taking into account the recommendation of the executive director and Chief Financial Officer, for approval by the full Board of Trustees.
 - Evaluate the independence of the external auditors, including their recent or planned future engagement by the State Bar for nonaudit services.
 - Review and approve the annual audit scope and the fees of the external auditors. » Monitor the progress of the financial statement audit.
 - Evaluate the results, findings, and recommendations of the financial statement audit.
 - Ensure that the State Bar's responses to control weaknesses and compliance issues identified in the course of the financial statement audit are appropriate and timely.
 - Serve as a direct communications link between the Board of Trustees and the independent auditor.
 - Monitor the State Bar's implementation of the financial statement audit recommendations, working with staff to identify other compliance initiatives that should be undertaken.
 - Review with the chief financial officer or their designee and the independent auditor the financial statement audit's results, findings and recommendations, including any difficulties encountered; review with the chief financial officer or their designee and the independent auditor all matters required to be communicated to the Audit Committee under generally accepted auditing standards.

- Undertake the following responsibilities relating to financial statements:
 - Review significant accounting and reporting issues, including complex or unusual transactions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
 - Review the annual financial statements, and consider whether they are complete, consistent with information known to the Audit Committee members, employ appropriate accounting principles, and appropriately reflect the financial condition of the State Bar.
 - Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
 - Understand how staff develops interim financial information, and the nature and extent of external auditor involvement.
- Undertake the following responsibilities relating to cybersecurity:
 - Recommend commission of a biennial cybersecurity report, taking into account the recommendation of the executive director and the Director of Information Technology, to the full Board of Trustees for approval.
 - Review and approve the biennial cybersecurity report scope and fees.
 - Evaluate the results, findings, and recommendations of the biennial cybersecurity report.
 - Ensure that the State Bar's responses to control weaknesses and compliance issues identified in the course of the biennial cybersecurity report process are appropriate and timely.
 - Serve as a direct communications link between the Board of Trustees and cybersecurity experts.
 - Monitor the State Bar's implementation of the cybersecurity report recommendations, working with staff to identify other cybersecurity initiatives that should be undertaken.
 - Review with the executive director or their designee and cybersecurity experts the results, findings, and recommendations in the cybersecurity report, including any difficulties encountered, to ensure the State Bar's vigilance in identifying, analyzing and addressing any and all cybersecurity vulnerabilities on an ongoing and continuous basis.
 - In the interim year between the biennial reports, review with the director of Information Technology the status of cybersecurity including progress in implementation of corrective measures and identification of any new risks or concerns; ensure that the director of Information Technology's responses to any new risks or concerns are appropriate and timely.
- Review the results of the biennial performance audit conducted by the State Bureau of Audits; and monitor the State Bar's implementation of the financial related recommendations of the biennial performance audit, working with staff to identify other fiscal and operational initiatives and best practices that should be undertaken.

- Monitor, review and evaluate the effectiveness and adequacy of the State Bar's internal control structure on an ongoing basis:
 - Ensure that a review of the State Bar's budget and fiscal control policies and procedures be undertaken every five years by an independent consultant Review and approve the independent consultant review scope and fees Evaluate the results, findings, and recommendations of the independent consultant.
 - Ensure that the State Bar's responses to control weaknesses and compliance issues identified in the course of the independent consultant review, the annual financial statement audit, the State Auditor's biennial review or any other audit or review are appropriate and timely.
 - Serve as a direct communications link between the Board of Trustees and the independent consultant.
 - Monitor the implementation of the recommendations, working with staff to identify other internal control initiatives that should be undertaken.
 - Meet with the chief financial officer and other members of State Bar leadership staff, or their designees, on a biennial basis to:
 - Review and discuss the State Bar's internal control structure, including progress on implementation of the recommendations of the independent consultant and other initiatives undertaken to improve the State Bar's internal control structure.
- Ensure the State Bar's vigilance in identifying, analyzing, and addressing significant internal control structure vulnerabilities on an ongoing and continuous basis.
- Seek assurances from State Bar leadership staff on the effectiveness of risk management practices and controls.
- Reassess whether the policies and procedures provide for the effective identification, assessment, reporting, monitoring, and control of the State Bar's principal risks; if they do not, require that the policies and procedures be updated to address any deficiencies.
- Perform such specific oversight functions as expressly requested by the Board of Trustees.
- Review, on a quarterly basis, reports prepared by the Office of Finance regarding executives' and Board Members' travel and expense reimbursements.
- Develop and adopt an Audit Committee work plan for approval by the Board Executive Committee; for each Audit Committee project listed on the work plan, the work plan shall include a description of the project, the Strategic Plan Goal(s) and Objective(s) that are furthered by the project and an estimated timeline for completion and presentation to the Audit Committee and/or the Board.

Access to the Chief Financial Officer: The chief financial officer shall have direct access to the Board of Trustees on all financial matters, and is authorized to meet with the Committee, or if more expedient with the Audit Committee chair, on the chief financial officer's own initiative or at the request of the Audit Committee chair, outside the presence of other State Bar leadership staff at Audit Committee meetings; in addition, the Audit Committee shall meet independently with the chief financial officer on a quarterly basis.

Access to Information: The State Bar Audit Committee may request any independent auditor, expert, officer; trustee, agent, or employee of the State Bar to appear before it to report on the financial condition of the State Bar and answer any questions the Audit Committee might have, relating to the accomplishment of its responsibilities enumerated in this charter.

Limitations on the Role and Responsibilities of the Audit Committee: Oversight Scope Defined: The role and responsibility of the Audit Committee is oversight, not preparation of reports or statements or operation.

- The executive director and chief financial officer and their designees are responsible for preparing the financial statements; responding to governmental and other reports relating to the State Bar; operating the State Bar, including its financial and accounting systems; and assuring compliance with applicable laws and with policies and procedures established by the Board.
- The external auditors are responsible for auditing the financial statements and such other functions as they are specifically engaged to perform.

Reliance on Advisory Information Provided by State Bar Leadership staff, Auditors and Others: In carrying out its oversight function, the Audit Committee is not expected to provide expert or special assurance as to the State Bar's financial statements or professional certification as to the work of the State Bar's staff or of the external auditors. In discharging their duties, the members of the Audit Committee may rely on information, opinions, reports or statements, including financial statements or other financial data, prepared or presented by officers, employees, internal or external counsel, public accountants, committees of the Board duly designated with authority in particular areas, or other persons whom the member believes are reliable and competent in the matters presented, provided that in so relying the member is acting in good faith and with that degree of diligence, care, and skill which ordinarily prudent the State Bar Audit Committee members would exercise under similar circumstances.