



# Synergy Credit Union Consulting

## ANYTOWN CREDIT UNION

### Example SUPERVISORY COMMITTEE CHARTER

#### I. Purpose

The Supervisory Committee (“the Committee”) of Anytown Credit Union (“the Credit Union”) supports the Board of Directors in the fulfillment of its oversight responsibilities for the following:

- Integrity of financial reporting;
- Compliance with legal and regulatory requirements;
- Appointment and supervision of independent auditors;
- Performance of internal audit functions;
- Evaluation of internal controls and operational risk management.

#### II. Organization

The Board of Directors appoints the Supervisory Committee from members of the Credit Union. One member of the Supervisory Committee may be a Director, as long as that individual is not the financial officer or the compensated officer of the Board. To serve on the Supervisory Committee, an individual may not be an employee of the Credit Union or a member of the Asset and Liability (ALCO) Committee.

The Board of Directors determines the number of members of the Committee, which may not be fewer than three or more than five.

- Committee members, as a group, shall ensure they maintain the qualifications necessary to ensure the Committee’s particular fiduciary responsibilities can be effectively executed.
- Committee members must meet the qualifications set forth in the Anytown Director Criteria.
- The Supervisory Committee members choose from among their number a Chair, who must fulfill the definition of an independent director, and a Secretary. The Secretary of the Committee prepares, maintains and has custody of full and correct records of all actions taken by the Committee. The same person may hold the offices of Chair and Secretary.
- Regular terms of members are for periods of one, two, or three years as the Board determines provided that all regular terms are for the same number of years and



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until the appointment and qualification of successors. The regular terms are fixed at the beginning, or upon any increase or decrease in the number of Committee members, so that approximately an equal number of regular terms expire at each annual meeting.

## III. Structure and Meetings

- The Committee shall convene at least one meeting each quarter and meet more frequently as needed. The Committee will periodically invite management, external auditors or others to provide pertinent information as necessary.
- The Committee shall meet with the external auditor and management both before and after the annual audit. The Committee's meeting with the auditor after the annual audit must include an executive session without management.
- Meeting agendas and minutes will be prepared and distributed in advance based on an agreed upon timeframe.

## IV. Goals and Responsibilities

The Supervisory Committee has the authority to conduct or authorize any review of matters within its scope of responsibilities and duties. The Committee's authority includes the power to:

- Appoint, compensate and oversee the work of an external firm hired by the Credit Union to conduct annual audits and to pre-approve all auditing and non-auditing services to be performed; this firm will report directly to the Supervisory Committee;
- Maintain unrestricted access to Credit Union personnel and documentation;
- Preview and evaluate the Credit Union's business objectives, strategies and plans;
- Initiate a member account verification process;
- Engage the Credit Union's audit department to perform such functions as necessary to meet its responsibilities related to adequacy of internal controls, risk management and governance practices;
- Resolve disagreements between the management and the auditor regarding financial reporting;
- Board Intervention: It may become necessary for the Supervisory Committee to take appropriate actions within its authority, as specified in the Anytown Credit Union bylaws, to address situations threatening the financial soundness and safety of the Credit Union up to and including the removal of Directors and calling for special member meetings to report violations.



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Specific duties include:

## (1) Financial Reporting

Review the integrity of the Credit Union's financial reporting processes and results, including:

- Critical management estimates, judgments and complex or unusual transactions underlying the financial statements;
- Any significant changes in accounting principles, practices, standards or policies;
- The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;
- Review the results of the audit with management and the external auditor, including any difficulties encountered; this review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreement with the management;
- Discuss the annual audited financial statements with management and the external auditors;
- Review interim financial reports with management before filing with regulators (i.e., CALL reports); the Committee shall consider whether the reports are complete and consistent with the information known to the Committee members before filing.

## (2) Compliance

Review the effectiveness of the system for monitoring compliance with laws and regulations, as well as the results of management's investigation and follow-up of any instances of non-compliance, including:

- Review the findings of any examination by regulatory agencies and any auditor observations;
- Meet periodically with the Credit Union's Outside Counsel to review any matters that may have a material impact on safety and soundness;
- Obtain regular updates from the management and the Compliance Officer or equivalent regarding compliance matters, including how compliance is being monitored and how any follow ups are being tracked and reported;
- Review the process for communicating and monitoring the Code of Conduct to employees of the Credit Union (e.g., ensure on an annual basis employees sign off on the Code of Conduct and that Human Resources monitors compliance);
- Review the effectiveness of the process by which employees may submit confidential and anonymous concerns for investigation and correction as required.



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## (3) Independent Audit

Oversee the independent audit including:

- Retain and review the performance of the external auditor;
- Review the external auditor's proposed audit scope and approach;
- Review the external auditor's performance, including any difficulties or disputes between management and the external auditor during the audit;
- Present written results of the external auditor to the Board of Directors;
- Ensure rotation on the lead partner and other audit partners every seven years; consider whether there should be a rotation of the external audit firm;
- Confirm the external audit firm does not provide consulting services to the Credit Union;
- Conduct two meetings each year with external auditors:
  - One pre-audit, and;
  - One post-audit (that includes an executive session).

## (4) Internal Audit

Oversee internal audit functions including:

- Review the overall scope, personnel qualifications, budget resources, activities, effectiveness and organizational structure of the internal audit function;
- Review the yearly Audit Plan to ensure its relevance to the overall Credit Union business objectives;
- Participate in the selection of the Chief Audit Officer (or equivalent) and ensure Chief Audit Officer has direct access to the Supervisory Committee; meet periodically with Chief Audit Officer in separate executive session to discuss privately any issues of concern;
- Conduct the annual performance review of the Chief Audit Officer and internal audit function- including compliance with International Internal Auditing Standards.

## (5) Internal Controls and Operational Risk Management

Review the effectiveness of the Credit Union's internal controls and operational risk management including:

- Operational efficiencies;
- Control environment and governance, including information technology security;
- Financial Reporting, including the scope of internal and external auditors' reviews of internal control;



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- Compliance with laws and regulations;
- Process for assessing material risks and the steps management has taken to manage such risks.

## (6) Other Responsibilities and Duties

The Committee will perform other responsibilities and duties including:

- Keep fully informed of the financial condition of the Credit Union and the integrity of its financial reporting;
- Keep fully informed of decisions made by the Board of Directors;
- Report its activities, findings and recommendations to the Board regularly;
- Prepare a report for inclusion in the annual report to members and presentation at the annual meeting;
- Commission and oversee special investigations as deemed necessary.

Each Committee member shall sign an Annual Confirmation that the activities of this charter have been carried out. The signed Annual Confirmation shall be posted on the public credit union website.

The Chair of the Supervisory Committee shall write an annual report to the membership describing the Committee's actions, how they discharged their responsibilities and if they approved any non-audit services. This annual report shall be presented to the membership at the annual meeting and posted on the public credit union website.

The responsibilities set forth in this Charter should serve as a guide only, with the express understanding that the Committee may carry out additional responsibilities and duties, and adopt additional policies and procedures as may be necessary in light of any changing business, legislative, regulatory, legal or other condition.

## V. Committee Resources

The Committee shall have the sole authority to retain or terminate consultants to assist the Committee in the fulfillment of its duties. The Committee shall have sole authority to determine the terms of engagement and the extent funding is necessary for payment to any counsel, advisor, consultant or other professional retained to advise the Committee. The Committee also shall have sole authority over ordinary administrative expenses that are necessary or appropriate in carrying out its duties.