

# **Supervisory Committee Charter**

## **DECEMBER 2007**

### **Purpose**

The purpose of the Supervisory Committee (the Committee) is to provide assistance to the Board of Directors in fulfilling its responsibilities with respect to:

1. The adequacy of internal controls and operational risk management
2. The integrity of financial reporting
3. The appointment of the Credit Union's independent auditor
4. The performance of the of the internal audit function
5. The Credit Union's compliance with legal and regulatory requirements

### **Responsibilities and Duties**

1. Review the effectiveness of the Credit Union's internal controls and operational risk management processes including:
  - Operational efficiencies and effectiveness
  - Control environment and governance
  - Financial reporting
  - Compliance with laws and regulations
  - Review and the effectiveness of the Credit Union's process for assessing material risks and the steps management has taken to manage such risks.
2. Review the integrity of the Credit Union's financial reporting process, including:
  - Reviewing critical management estimates, judgments, and complex or unusual transactions underlying the financial statements.
  - Reviewing any significant changes in accounting practices, standards or policies
3. Ensure that an annual independent audit of the financial statements of the Credit Union is performed including:
  - Review of adequacy of the audit scope.
  - Hiring and discharge of the independent auditors.
  - Reviewing results with the external auditors, including the reasonableness of significant estimates and judgments underlying the financial statements and complex or unusual transactions.
  - Review of serious difficulties or disputes with management during the audit
  - Ensure a written report on the results is made available to the Board.
4. Review the overall scope, personnel qualifications, budget resources, activities, effectiveness, and organizational structure of the audit services function, including:
  - The review and evaluation of the scope, risk assessment and prioritization of planned audits in the yearly Audit Services' Plan, as well as its relevance to overall Credit Union business objectives and subsequent changes. Reviews of internal audit results, significant corrective actions, and final disposition thereof.
  - Participation in the selection of the Chief Audit Executive
  - Ensuring that the Chief Audit Executive has direct access to the Committee and periodically meets in a separate executive session to discuss privately any issues of concern.

5. Compliance with Laws and Regulations:

- Review reports and findings of all examinations by regulatory authorities and management's responses to such reports.
- Periodically meet with the Credit Union's general counsel and review any matters that may have a material impact on safety and soundness.
- Review the Credit Union's process and performance in respect to retention and treatment of complaints received from both internal and external sources, related to internal fraud or irregularities. This includes a process in which employees may submit confidential and anonymous concerns for investigation and correction as required.

**Authority**

The Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibilities. It is empowered to:

- Appoint, compensate, oversee and discharge the public accounting firm employed by the Credit Union to conduct the annual financial statement audit. This firm will report directly to the Committee.
- Maintain unrestricted access to Credit Union personnel and documentation for the purpose of fulfilling its responsibilities.
- Preview and evaluate the Credit Union's business objectives, strategies and plans.
- Acquire outside professional services and take corrective actions when deemed appropriate to fulfilling its responsibilities.
- Engage the Credit Union's audit services department to perform such functions as necessary to meet its responsibilities related to adequacy of internal controls, risk management and governance practices.
- Board intervention - It may become necessary for the Committee to take appropriate actions within its authority to address situations threatening the financial soundness and safety of the Credit Union. Specific authorities granted the Committee under the Credit Union bylaws and Revised Code of Washington are:
  - By unanimous vote of the Committee members, the Committee may suspend for cause any member of the Board or any members of other committees until a membership meeting is held in accordance with RCW 31.12.345. A membership meeting contemplating the removal of a suspended party shall be held within 30 days of the suspension, and Credit Union members attending that meeting shall vote whether to permanently remove the suspended party.
  - By majority vote, call such special meetings of the Credit Union membership as deemed necessary by the Committee.

**Composition and Required Qualifications of Committee Members**

The Committee, consisting of from three to five independent Credit Union members elected by the Credit Union membership, is established pursuant to Revised Code of Washington 31.12.326 and Article X of the Credit Union bylaws. The Committee shall appoint interim vacancies until successors are elected by the Credit Union membership.

- Committee members, as a group, shall ensure they maintain the qualifications necessary to ensure the Committee's particular fiduciary functions can be effectively executed.
- The Committee shall, to the extent practical, maintain a minimum of two (2) members who have substantially all the skills defined in the "Supervisory Committee Competencies" document.

### **Meeting and Reporting**

- The Committee normally meets monthly, however, at least one meeting shall be held each quarter.
- To comply with RCW 31.12.326 attendance requirements, Committee members shall miss no more than 3 meetings in any 12 month period, unless reasonably excused.
- The Committee will periodically invite members of management, auditors or others to provide pertinent information as necessary.
- The Committee will meet separately, periodically with management, Audit Services and the independent auditors in an executive session to discuss any issues of concern.
- Meeting agendas and minutes will be prepared.
- The Committee shall report its activities, findings, and recommendations to the Board regularly.
- The Committee shall ensure that an annual self assessment evaluation of its activities is completed.
- The Committee shall prepare a report for inclusion in the annual report to members and presentation at the annual meeting. Such report will be presented to the State Supervisor within 45 days after the end of the Credit Union's fiscal year.