

**Florida Workers' Compensation  
Joint Underwriting Association, Inc.**

**Audit Committee Charter**

**Purpose**

The primary function of the Audit Committee is to assist the Board of Governors (the "Board") in fulfilling its financial oversight responsibilities. The Audit Committee should review the Florida Workers' Compensation Joint Underwriting Association's (the "Association") financial reports and other financial information; the systems of internal controls and ethics policies that the management and the Board have established; and the auditing, accounting and financial reporting process. Consistent with this function, the Audit Committee should foster adherence to, and should encourage continuous improvement of the Association's policies, procedures and practices. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Association's financial reporting process and internal control system;
- Review and appraise the audit efforts of the Association's independent auditor;
- Provide an open avenue of communication among the independent auditor, financial and senior management, and the Board.

**Membership**

The Audit Committee shall be comprised of three or more representatives, each of whom shall be independent of management and may not be employees of the Association, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices, and it is desirable that at least one member of the Audit Committee shall have accounting or related financial management expertise. Audit committee members may desire to enhance their familiarity with finance and accounting by participating in educational programs.

The members of the Audit Committee shall be appointed by the Board Chairperson for a designated term or until their successors are appointed. The Board Chairperson shall appoint the Chairperson of the Audit Committee.

**Meetings**

The Audit Committee shall meet at least two times annually, or more frequently as circumstances dictate. As part of its job to foster open communications, the Audit Committee should meet at least annually with the Administrator and the independent auditor to discuss any matters that the Audit Committee or each of these groups believes should be discussed.

## **Responsibilities and Duties**

The Audit Committee should:

### Review

- Annually review and update this Charter.
- Review the Association's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditor.
- Review any interim financial statements and other financial information such as budgets.

### Independent Auditor

- Recommend to the Board the selection of the independent auditor, considering independence and effectiveness and approve the fees paid to the independent auditor. On an annual basis, the Audit Committee should review and discuss with the auditor all significant relationships the auditor has with the Association to determine the auditors' independence.
- Review the performance of the independent auditor and approve any proposed discharge of the independent auditor by management.
- Periodically consult with the independent auditor about internal controls and the completeness and accuracy of the Association's financial statements.

### Financial Reporting Process

- In consultation with the independent auditor, review the integrity of the Association's financial reporting processes.
- Consider the independent auditors' judgments about the quality and appropriateness of accounting principles as applied in its financial reporting.
- Consider and approve, if appropriate, major changes to auditing and accounting principles and practices as suggested by the independent auditor, management, or the internal auditing department.
- Establish regular and separate systems of reporting to the Audit Committee by management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- Approve any non-audit services contracted with the independent auditor.

## **Responsibilities and Duties (continued)**

### **Financial Reporting Process (continued)**

- Following completion of the annual audit:
  - Review with management and the independent auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
  - Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
  - Review with the independent auditor and the Administrator the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.
  - Review with the independent auditor and the Administrator the current year management letter and related findings and recommendations together with the Administrator's responses. Also, review the status of any prior year recommendations.

### **Compliance and Other Matters**

- Review management's monitoring of compliance with the Association's corporate governance procedures, and ensure that management has the proper review system in place to ensure that financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
- Review with the Association's counsel, any legal matter that could have a significant impact on the Association's financial statements.
- Perform any other activities consistent with this Charter, the Association's By-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.
- The Committee shall develop and encourage an open means of communication between the Committee and employees of the Association for reporting matters involving accounting and reporting issues which appear to be contrary to the policies of the Association.
- The Committee designates its Chairperson as the liaison with the independent auditors for purposes of communications relating to internal controls, financial reporting or other matters that may arise in the discharge of the independent auditors' responsibilities.