

**CALIFORNIA HOUSING FINANCE AGENCY**  
**AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**  
**October 2024**

**Purpose, Role, and Functions**

The Audit and Risk Management Committee (the “Committee”) assists the Board of Directors in its oversight of financial reporting, accounting integrity, and enterprise-wide risk management. In performing its duties, the Committee aims to maintain effective working relationships with the Board of Directors, Agency executive management, staff, and independent auditors.

**Membership**

The Committee shall consist of a minimum of three voting members, selected by the Chairman of the Board. Members will serve on a rotational basis with staggered terms. The Chairman will appoint one member as the Chair of the Committee. All members should possess the appropriate qualifications, knowledge, skills, and experience to effectively carry out the Committee’s responsibilities. The Committee will oversee its own succession planning for Board approval.

**Authority**

The Committee operates under limited powers delegated by Board Resolution 06-08 and serves in an advisory capacity concerning audits and enterprise risk matters. Management, staff, and independent auditors will provide resources to enhance the Committee’s understanding of the Agency’s financial reporting obligations, and any significant issues related to financial reporting, accounting, and risk management policies. All Agency employees are expected to cooperate with the Committee as requested. The Committee has the authority to conduct any review necessary to fulfill its responsibilities, including direct access to independent auditors and any other personnel within the organization. The Committee will review its duties and charter annually and make recommendations to the Board if it determines that any changes are appropriate.

**Meetings**

The Committee shall meet at least twice a year, with additional meetings as requested by the Chair or other members. It will report to the full Board at least once a year regarding audit processes and outcomes. All meetings of the Committee will be open to the public, following the same notice and agenda procedures as for meetings of the full Board of Directors.

**Minutes**

Minutes of each meeting will be prepared and distributed to all Board members. These minutes need not be verbatim and are considered public records subject to the privileges and exemptions of the California Public Records Act or other applicable law.

## **Duties and Responsibilities**

The Committee will conduct its oversight activities in relation to the following:

### Audit

1. Review with staff and applicable independent auditors the scope and extent of each such auditor's examination, including direct inquiries regarding significant risks or exposures identified and management's strategies to mitigate those risks. The review shall encompass:
  - a. External reporting requirements
  - b. Materiality of the Agency's activities
  - c. Internal control structure
  - d. Other areas covered during the audit engagement
2. Upon completion of the audit, review and discuss with Agency's management, staff, and independent auditors:
  - a. Agency annual financial statements and the independent auditors' opinion(s)
  - b. Current accounting and reporting issues, and relevant regulatory or professional pronouncements, ensuring management keeps the Committee informed of significant developments
  - c. Significant changes from prior years
  - d. Any illegal, improper, or sensitive transactions, reporting findings to the Board
  - e. Significant adjustments proposed by the independent auditors
3. Review all management letter items from independent auditors and written responses from management on each comment or finding.
4. Discuss with independent auditors the level of professional competence of the Agency's financial and accounting personnel, and any relevant recommendations, which the auditors may have.
5. Review and evaluate the Agency's selection process for obtaining multi-year auditing services contract with independent auditors.
6. Review legal and regulatory matters that may materially impact financial statements, compliance policies and programs.
7. Review and assess the Agency's Conflict of Interest / Code of Ethics policy and its enforcement.

### Risk Management

1. Review and recommend to the Board, changes to the Agency's enterprise-wide risk management governance and framework, in line with the Agency's Strategic Plan and annual business plan objectives, including, but not limited to the following:
  - a. Credit risk
  - b. Market risk
  - c. Compliance risk
  - d. Technology and Strategic risk
  - e. Legal risk
  - f. Business Continuity

2. Review with Agency's management and staff, to identify significant enterprise risk exposures, monitor and manage existing risks, evaluate risk mitigation strategies, based on the Agency's risk tolerances, as necessary, and report findings to the Board.
3. Review with Agency's management and staff, risks related to statutory and regulatory requirements, that could potentially impact operations of the Agency and provide findings to the Board.
4. Review findings from non-financial audits and examinations conducted by government agencies, external auditors, or consultants engaged for specific purposes.
5. Review biennial State Leadership Accountability Act (SLAA) report on the effectiveness of the Agency's internal control system to reduce waste, strengthen internal controls to minimize fraud, errors, and abuse of government funds.
6. Review the annual report on information security risk assessment, focusing on key risks, and evaluate the effectiveness of practices designed to manage cybersecurity activities to reduce vulnerabilities and combat threats.