

Austin Peay State University

Audit Committee Charter

Purpose and Mission

The Audit Committee, a standing committee of the Austin Peay State University Board of Trustees, provides oversight and accountability on all aspects of university operations. The committee will assist the Board in fulfilling its oversight responsibilities by reporting regularly to the Board about Audit Committee activities and issues that arise with such recommendations as the committee deems appropriate. The Audit Committee will provide for open communications among the Board, university senior management, and the Tennessee Comptroller's Office auditors regarding audit matters.

The Audit Committee will provide oversight in the following areas:

- Audit engagements with the Tennessee Comptroller's Office, including the integrity of financial statements and compliance with legal and regulatory requirements.
- Audit engagements with external auditors.
- Internal Audit administration and activities.
- Management's internal controls and compliance with laws, regulations and other requirements.
- Management's risk and control assessments.
- Fraud, waste and abuse prevention, detection, and reporting,
- Review the university's Code of Conduct.
- Other areas as directed by the Board.

Authority

The Audit Committee has the authority to conduct or authorize audits or investigations into any matter within its scope of responsibility. The scope of internal auditing extends to all aspects of institutional operations and beyond fiscal boundaries. The committee is authorized to:

- Seek any information it requires from employees or external parties. Employees are directed to cooperate with the committee's requests.
- Have access to all books, records and physical properties of Austin Peay State University.
- Meet with Board and university officials, external and internal auditors, legal counsel, or others as necessary.
- Delegate authority to subcommittees, providing that such decisions by any subcommittee are presented to the full committee at its next scheduled meeting.

Responsibilities

The Board employs a person qualified by training and experience to serve as the Chief

Audit Officer, who reports directly to the Audit Committee and the Board of Trustees. The Chief Audit Officer coordinates audit activities with the Tennessee Comptroller of the Treasury and with any other external auditors. The Audit Committee facilitates any audit and investigative matters, including advising auditors and investigators of any information the committee may receive pertinent to these matters.

The Audit Committee will carry out the following duties for the Board and Austin Peay State University and will report to the Board about Audit Committee activities and issues that arise with such recommendations as the committee deems appropriate:

Tennessee Comptroller's Office Audits

- Understand the scope and approach used by the auditors in conducting their examinations.
- Review results of the Comptroller's examinations of financial statements and any other matters related to the conduct of the audits.
- Review with management and legal counsel any legal matters (including pending litigation) that may have a material impact on the financial statements, and any material reports or inquiries from regulatory or governmental agencies.
- Resolve any differences between management and the Comptroller's auditors regarding financial reporting.
- Meet, as needed, with the Comptroller's auditors to discuss any matters that the Audit Committee or auditors deem appropriate.
- Work management and staff, as needed, to ensure implementation of audit recommendations.

External Audits

- Understand the scope and approach used by the external auditors in conducting their examinations.
- Review results of the external auditors' examinations and any other matters related to the conduct of the audits.
- Meet, as needed, with the external auditors to discuss any matters that the Audit Committee or auditors deem appropriate.

Internal Audit Activities

- Ensure that the Chief Audit Officer has direct and unrestricted access to the chairman and other committee members.
- Review and approve the charter for the university's Internal Audit function.
- Review and approve the annual audit plans for the university's audit function, including management's request for unplanned audits.
- Receive and review significant results of internal audits performed.
- Review the results of the year's work with the Chief Audit Officer.
- Work management and staff, as needed, to ensure implementation of audit recommendations.
- Ensure the internal audit function maintains a quality assurance and improvement program, including internal procedures and assessments and a periodic external quality assessment of conformance with the Institute of Internal Auditors'

International Standards for the Professional Practice of Internal Auditing.

Internal Audit Administration

- Review the Chief Audit Officer's administrative reporting relationship to the President of Austin Peay State University to assure not only that independence is fostered, but adequate resources in terms of staff and budget are provided to enable the department to effectively perform its responsibilities. The President has administrative authority for approval of the Chief Audit Officer's time, travel and other expenses of the Office of Internal Audit. Additionally, the President may initiate a performance evaluation of the Chief Audit Officer at the request of the Audit Committee or Chair of the committee. This administrative reporting relationship is meant to facilitate administrative activities and does not diminish the Chief Audit Officer's reporting relationship to the Audit Committee and the Board of Trustees.
- Review and approve the appointment, compensation, reassignment, or dismissal of the Chief Audit Officer review and approve the compensation and termination of internal audit staff.

Risk, Internal Control and Compliance

- Consider the effectiveness of management's internal control system and compliance with laws and regulations, including computerized information system controls and security.
- Understand the scope of internal and external auditors' reviews of internal controls over financial reporting.
- Make recommendations to improve management's internal control and compliance systems to ensure the safeguarding of assets and prevention and detection of errors and fraud. The components of the control system are:
 1. control environment—creating a culture of accountability;
 2. risk assessment—performing analyses of program operations to determine if risks exist;
 3. control activities—taking actions to address identified risk areas;
 4. information and communication—using and sharing relevant, reliable, and timely information; and
 5. monitoring—tracking improvement initiatives and identifying additional actions needed to further improve program efficiency and effectiveness.
- Review and evaluate risk assessments performed by management of Austin Peay State University.

Fraud

- Ensure that the Board, and the management and staff of the Board and Austin Peay State University take all reasonable steps to prevent, detect, and report fraud, waste and abuse.
- Formally and regularly inform management of their responsibility for preventing, detecting, and reporting fraud, waste and abuse.
- Establish a process for employees, taxpayers and other citizens to confidentially

- report suspected illegal, improper, wasteful or fraudulent activity.
- Inform the Comptroller of the Treasury of assessments of controls to reduce risks of fraud.
- Promptly report indications of fraud to the Comptroller of the Treasury.

Other

- Review and assess the adequacy of the Audit Committee's charter annually, requesting Board approval for proposed changes.
- Ensure the receipt, retention and resolution of complaints regarding accounting, internal controls or auditing matters.
- Review the university's Code of Conduct policy to ensure it is readily available to all employees, easy to understand and implement, enforced and provide a confidential means of reporting violations. The Code of Conduct should remind management and staff of the need to:
 1. Maintain the highest level of integrity in regards to financial operations.
 2. Avoid preparing or issuing fraudulent or misleading information.
 3. Protect university assets from fraud, waste or abuse.
 4. Comply with all relevant laws, rules, policies and procedures.
 5. Avoid engaging in activities which would otherwise bring dishonor to the university.
- Review the Board's policy regarding conflict of interest to ensure that "conflict of interest" is clearly defined, guidelines are comprehensive, annual signoff is required for those in key positions and procedures are in place to ensure potential conflicts are adequately resolved and documented.

Membership

Tennessee Code Annotated, Section 49-8-201, includes the requirements for the appointment and terms of public members of the Austin Peay State University Board of Trustees. From this membership, the Audit Committee and its chair shall be nominated annually by the Board Chairman and approved by the Board. The Audit Committee shall consist of at least one member, preferably the chair of the committee, who shall have accounting and financial management expertise and other members who are generally knowledgeable in financial, management, and auditing matters. In addition to the Trustees nominated to the committee, the Board may select one or more certified public accountants or other qualified citizens who are not members of the Board to serve on the Audit Committee. The committee shall have at least three members.

Independence

Each member shall be free of any relationship that would give the appearance of a conflict or that would interfere with his or her exercise of independent judgment.

Education

The university senior management and the Internal Audit Office are responsible for providing the committee with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the committee to maintain appropriate financial and compliance literacy.

Meetings

The Audit Committee shall meet as necessary, but at least annually. Minutes of these meeting should be maintained. The committee may invite management, auditors, or others to attend and provide relevant information. Meeting agendas will be provided to members in advance, along with appropriate briefing materials. Minutes will be prepared. A majority of the members of the committee shall constitute a quorum for the transaction of business. The committee shall also meet at the request of the Comptroller of the Treasury.

The Audit Committee shall follow the public notice requirements of the Board. All meetings of the Committee shall be subject to the open meetings provisions of *Tennessee Code Annotated*, Title 8, Chapter 44, except that, as provided by *Tennessee Code Annotated*, Section 4-35-108(b), the committee may hold confidential, nonpublic executive sessions to discuss:

1. Items deemed not subject to public inspection under *Tennessee Code Annotated*, Sections 10-7-503 and 10-7-504, and all other matters designated as confidential or privileged under this code;
2. Litigation;
3. Audits or investigations;
4. Information protected by federal law, and
5. Matters involving information under *Tennessee Code Annotated*, Section 4-35-107(a), where the informant has requested anonymity.

Source: March 30, 2017 Board of Trustees meeting; Approved March 9, 2018 Board of Trustees meeting