



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 1 of 2

Board Operations

AUDIT COMMITTEE CHARTER

Adopted: October 14, 1988

Amended: October 13, 1989; March 13, 1998; May 14, 2004; March 11, 2005

AUDIT COMMITTEE CHARTER

Subd. 1. Organization. The Audit Committee of the Board of Regents (Board) shall be a permanent committee consisting of at least four members of the Board. Audit Committee members shall be appointed by the Board chair, recognizing the need for financial expertise and continuity of membership from year to year.

Subd. 2. Reservation of Authority. Consistent with Board of Regents Policy: *Reservation and Delegation of Authority*, the Board reserves to itself authority to adopt policies regulating the audit function; approve selection of external public accountants and the Director of Internal Audit; review audit plans; and evaluate the performance of the independent auditor and, jointly with the president, the performance of the internal audit function.

Subd. 3. Purpose. The Audit Committee is to assist the Board in discharging its oversight responsibilities related to the audit function by:

- (a) promoting the development of an effective and continuously improving control environment, in concert with the administration, to achieve the institution's objectives through an appropriate system of risk assessment and internal controls;
- (b) overseeing the University's integrated framework of internal controls and risk assessment practices to ensure that the administration executes the provisions of Board of Regents Policy: *Internal Controls*;
- (c) serving as an informed voice on the Board by relaying the audit perspective when related issues are brought before the Board and its standing committees; and
- (d) providing a direct channel of communication to the Board for the internal auditor and the independent public auditor.

Subd. 4. Duties. Specific duties of the Audit Committee include the following:

(a) Oversight of the Independent Auditor. The independent auditor reports directly to the Board through the Audit Committee. The Audit Committee shall recommend for Board approval the engagement and related fees of the independent auditor to perform the annual financial statement and federal compliance audits. The Audit Committee shall approve in advance all audit and non-audit services provided by the independent auditor with a value greater than \$25,000 or that may impair the



UNIVERSITY OF MINNESOTA BOARD OF REGENTS POLICY

Page 2 of 2

Board Operations

AUDIT COMMITTEE CHARTER

Adopted: October 14, 1988

Amended: October 13, 1989; March 13, 1998; May 14, 2004; March 11, 2005

audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in the United States General Accounting Office *Government Auditing Standards*. Engagements not requiring approval by the Board shall be reported to the Audit Committee at the next scheduled meeting of the committee. The Audit Committee shall annually review and evaluate the independent auditor's performance, independence, and effectiveness of coordination with other assessment activities, including internal audit.

(b) Oversight of the Internal Audit Function. The Audit Committee shall recommend for Board approval (1) the appointment or removal of the director of audits, (2) changes to the Audit Department charter, and (3) any material revisions to internal audit plans or budgets. In consultation with management and the internal auditor, the Audit Committee shall review the annual internal audit plan and the extent to which it addresses high risk areas.

(c) Review of Financial Statements. The Audit Committee shall review, in advance of final issuance, the proposed formats and wordings of the annual financial report, including the management's discussion and analysis, financial statements, footnotes, statistics, and disclosures.

(d) Review of Audit Results. The Audit Committee shall review the internal and external audit results and discuss significant issues of internal control and compliance with the independent auditor, internal auditor, and management. The Audit Committee shall monitor management's progress in addressing audit recommendations.

(e) Investigation of Reported Concerns Regarding Accounting or Auditing Matters. The Audit Committee shall be apprised of investigations conducted under the administrative policy *Dealing with Allegations of Financial or Operational Misconduct*.

(f) Requests for Audits. The Audit Committee is authorized to request supplemental reviews or other audit procedures by the internal auditor, the independent auditor, or other advisors.

(g) Approval of Engagements of Audit Firms Other Than the University's Principal External Auditors. The Audit Committee shall approve all engagements of external audit firms to perform work or provide services with a value greater than \$25,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in subd. 4 (a) of this policy. Engagements not requiring approval by the Board shall be reported to the Audit Committee at the next scheduled meeting of the committee.