



Item: VI. AF: A-2

Wednesday, November 14, 2007

SUBJECT: REQUEST FOR APPROVAL OF THE BOT AUDIT AND FINANCE COMMITTEE CHARTER.

PROPOSED BOARD ACTION

Approve the adoption of the BOT Audit and Finance Committee Charter.

BACKGROUND INFORMATION

Recognizing the significant role that audit and finance committees play in the governance of for-profit and non-profit entities, professional accounting societies such as the Institute of Internal Auditors and the American Institute of CPAs, as well as government regulators, recommend that such committees be guided by a formal charter. The charter acts as a blueprint to guide the committee in achieving its goals and fulfilling its responsibilities to the board of trustees, management and all stakeholders.

Currently the FAU BOT Audit and Finance Committee does not have a formal charter for its oversight responsibilities. Development of a committee charter was a subject discussed at the November 29, 2006 Board of Governors Audit Committee Workshop in Orlando. A committee charter was also recommended in the recent quality assurance (peer) review of the Office of the Inspector General.

Based upon member comments and a review of the March 29, 2007 Board of Governors' white paper on *Best Practices for Audit Committees and Internal Auditors*, Trustee Robert Stilley, Inspector General Morley Barnett and Vice President Kenneth Jessell modified the Draft Charter. This information was reviewed and recommended for Board of Trustees approval at the October 24, 2007 Audit and Finance Committee meeting.

IMPLEMENTATION PLAN/DATE

Upon approval of the Board of Trustees.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Draft Charter for the BOT Audit and Finance Committee.

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CHARTER
AUDIT AND FINANCE COMMITTEE

Purpose

One of the standing committees of the Florida Atlantic University Board of Trustees is the Audit and Finance Committee. The primary purpose of the Audit and Finance Committee is to assist the Board of Trustees in fulfilling its statutory, fiduciary, and oversight responsibilities relating to:

- The integrity of the University's financial accounting and reporting processes
- Financial planning and the execution of sound budgets consistent with the strategic objectives of the University
- The maintenance of an effective system of internal controls
- The performance of the University's independent audit functions
- Monitoring compliance with laws, rules, regulations, and Code of Ethics and Conflict of Interest policies
- Monitoring and controlling risk exposure
- Maintaining open and direct lines of communication with the Board of Trustees, management, internal auditors, and independent auditors
- Safeguarding University personnel as well as the physical and financial assets of the University

The Audit and Finance Committee shall take appropriate actions to set the overall tone for quality financial reporting, sound business practices, sound risk management, and ethical behavior and shall assist management in establishing policies and regulations to support effective financial management. The chair of the Audit and Finance Committee is the liaison between the Florida Atlantic University Board of Trustees and the Audit and Finance Committee.

Composition

The Chair and members serving on the Audit and Finance Committee are appointed and removed by the Chair of the Board of Trustees. The members will be free from any financial, family or other material personal relationship that would impair his or her independence from the management of the University. Each member of the Committee

should be financially literate and, if possible, at least one member should be a financial expert. "Financial literacy" is being able to read and understand fundamental financial statements. "Financial expert" means a person who has one or more of the following: an understanding of generally accepted accounting principles and financial statements; experience in applying such principles; experience in preparing or auditing financial statements; experience with internal controls; and an understanding of audit and finance committee functions.

Meetings

The Committee shall meet at least four (4) times annually. Additional meetings may be held as the circumstances warrant. The meetings will be open to the public, with requisite notifications. The Committee will invite members of management, auditors, or others to attend meetings and provide pertinent information. The Chair of the Committee should discuss the meeting agenda with the Vice President for Financial Affairs and/or the Inspector General/Internal Auditor prior to each committee meeting to finalize the meeting agenda and review the issues to be discussed. Agendas and supporting documentation should be distributed in advance in order to improve meeting effectiveness and active member participation.

Exemption from Public Meetings

The Audit and Finance Committee and Board of Trustees meetings are confidential and exempt from the public when these meetings address areas that are of a sensitive nature concerning individuals or on-going investigations pursuant to Sections 112.3187 and 112.3188, and 286.0111, Florida Statutes.

Responsibilities and Duties

The Committee's policies and procedures will remain flexible to best react to changing conditions and provide reasonable assurances to the Board that the financial reporting, the scope of audit services and the adequacy of the internal control system ensures compliance with state and federal laws, regulations and requirements. The Committee shall make reports to the Board as it deems necessary.

Responsibilities of the Committee include:

General

- Adopt a formal written charter that specifies the scope, responsibilities, processes, and practices of the committee. The charter should be reviewed

annually, updated as necessary, approved by the Audit and Finance Committee, and forwarded for approval by the FAU Board of Trustees

- Maintain minutes and records of the meetings and activities
- Conduct or authorize investigations into matters within the committee's scope of responsibilities
- Report committee actions to the Board with such recommendations that the committee may deem appropriate
- Perform other governance oversight as assigned by the Board
- Assess at least bi-annually the adequacy of the Charter and the effectiveness of the Committee's performance

Financial Planning and Control

- Approve and forward to the Board for approval an annual budget whose preparation and execution is based upon sound financial planning that is linked to the University's strategic goals and objectives
- Review periodic or interim budget statements to ensure the University is operating within approved financial and budgetary allocations and that the University is appropriately safeguarding its financial resources

Financial Statements

Management is responsible for the preparation, presentation and integrity of the University's financial statements and for the appropriateness of the accounting principles and reporting policies used by FAU. The following will be the responsibilities and duties of the Committee:

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements
- Require financial management and the independent auditor to discuss with the Committee their qualitative judgments about the appropriateness, not just acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the University
- Review all matters required to be communicated to the committee under generally accepted auditing standards with management and the external auditors
- Understand how management develops financial information and the nature and extent of the involvement of internal and external auditors
- Review the results of the University's annual financial statements audit with management and the external auditors to determine whether the independent

auditors are satisfied with the disclosure and content of the financial statements, application of conservative accounting principles, and to approve such financial statements

- Review the annual OMB Circular A-133 Audit Report on Federal Awards
- Accept and recommend to the Board the approval of the annual audit reports of direct support and affiliated organizations and intercollegiate athletics

Internal Control

- Consider the effectiveness of the University's internal control system, including information technology security and control
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management reports

External/Independent Auditors

Currently, the State of Florida Office of Auditor General performs the financial audits of Florida Atlantic University. Procurement of external accountants for direct support organizations and other related organizations (affiliated organizations) falls under the oversight of these organizations' Board of Directors. Copies of the audits of direct support organizations are to be submitted to the Audit and Finance Committee. The committee shall also be able to contract with external auditors for special audits or reviews related to the University's affairs and will report the results of any such special projects to the FAU Board of Trustees.

Internal Audit

- Approve the appointment, reassignment, replacement, or dismissal of the University's Inspector General
- Approve requests for contracted or special accounting and auditing services
- Review and approve the Office of Inspector General's charter, the annual internal audit plan (and any significant changes), staffing needs, and budget requirements
- Ensure the Office of Inspector General has sufficient independence to conduct audits without management interference
- Review all significant findings and recommendations noted by internal auditors or external auditors
- Request of the internal and external auditors, and others, knowledge of any significant investigatory or other matters acknowledged through established procedures

- Meet at least annually with appropriate members of the University administration, the inspector general, and independent auditors to discuss and evaluate the scope and results of audits and the University's accounting procedures and controls
- Receive and review all outside audits of the University or University-related organizations
- Meet directly with the Chair of the Audit and Finance Committee when necessary to maintain the integrity of an investigation or audit
- Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*
- Subject to the State's Sunshine Law, meet separately with the inspector general to discuss any matters that the committee or internal audit believes should be discussed privately
- Require the inspector general to report annually on the activities of the office
- Annually review the staffing levels to fulfill the plans and mission as well as the adequacy of audit staff qualifications and training

Confidential Complaints

- Establish and publish a process for receiving confidential complaints related to allegations of waste, fraud, and abuse within the University
- Review the nature and disposition of reported matters

Adoption of Charter

The Audit and Finance Committee of the Florida Atlantic University Board of Trustees adopted this Charter on _____, 2007.