

# Texas Tech University System

## Audit Committee Charter

### ***Dates Approved or Amended:***

-- *Initial adoption of policy*.....08-07-2009

-- *Comprehensive review (no changes)*.....07-28-2014

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### PREAMBLE

The Audit Committee Charter (Charter) was adopted by the Board of Regents (Board) of the Texas Tech University System (TTU System) on August 7, 2009, and any subsequent changes to the Charter must be approved by the Board.

### INTRODUCTION

The Audit Committee (Committee) of the Board is established pursuant to Section 01.02.8.d(4), *Regents' Rules*. The purpose of this Charter is to provide guidelines for the operation of the Committee to further define its role, duties, and responsibilities.

The Committee plays a key role in fulfilling the Board's governance responsibilities throughout the TTU System and all of its components related to:

- Accounting and financial reporting practices;
- Effective institutional management practices;
- Internal and external audit functions;
- Risk management processes;
- Achievement of program objectives;
- Control environment (accountability, ethical values, stewardship);
- Internal control activities;
- Monitoring; and
- Information and communication (financial and other reporting requirements).

### AUTHORITY

The Committee, in fulfilling its oversight role, has the authority to study or investigate any matter within the Committee's scope of responsibilities. The Committee will inform the Board of such actions and the results. With the concurrence of the Committee, the Committee Chair may fulfill certain duties and responsibilities of the Committee and report back the results to the Committee and the Board.

## EDUCATION

The TTU System is responsible for providing the Committee with educational resources related to auditing, risk management, accounting principles and practices, and other information that the Committee may request. The Chief Audit Executive and the Secretary of the Board will assist the Committee in maintaining literacy in the appropriate areas related to the Committee's function.

## MEETINGS

The Committee will meet at least quarterly or more frequently as the Board or Committee dictates or as circumstances require. Periodically as determined by the Committee, the Committee will meet separately with the Chief Audit Executive to discuss matters the Committee believes should be discussed privately with the Committee. Such meetings will be governed by the Texas Open Meetings Act (Chapter 551, *Texas Government Code*).

## DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee include the following:

- Provide a forum for communication among internal auditors, management, external auditors, and the Board on issues within the areas described above.
- Oversee the development, implementation, and execution of policies and procedures that promote accountability, ethical values, and sound control practices. The Office of Audit Services will be accountable to the Board through the Committee for objectively evaluating risk management, control, and governance processes.
- Request and review information from the Chancellor and Presidents, the Chief Audit Executive, and external auditors about significant risks or exposures within TTU System, and assess the adequacy of management's actions to identify, assess, and mitigate identified risks with strong control activities, information and communication processes, and monitoring processes. Require the Chief Audit Executive to provide an assessment of TTU System components' risk management processes on a biennial basis.
- The Committee will make recommendations for the selection of external auditors or may delegate such authority to the Chief Audit Executive.
- Review with management and/or the Chief Audit Executive:
  - The annual financial statements of TTU System and its components;
  - Any significant changes in generally accepted accounting principles (GAAP) or TTU System accounting policies that may impact the financial statements;
  - Any legal or regulatory matters that may have a material impact on the financial statements; and
  - Any related internal or external audit work performed.

- Related to audits or other engagements performed by external auditors, review with the external auditors and/or the Chief Audit Executive:
  - Results of the engagement, which may include audited financial statements, an opinion letter, or other reports issued by the external auditors;
  - Any material adjustments to the financial statements;
  - Significant findings or recommendations; and
  - Management letters issued by the external auditors, together with responses for addressing issues noted.
  
- In consultation with the Chief Audit Executive, review and approve the annual audit plan, as well as any changes to the plan as a result of changing risks or other circumstances.
  
- Review with the Chief Audit Executive and management:
  - Significant audit issues and management's responses thereto;
  - Status of management's action plans to address prior audit issues;
  - Any difficulties encountered in the course of performing audits, including restrictions on the scope of work and access to required information;
  - The Office of Audit Services budget and staffing;
  - The Office of Audit Services' compliance with professional standards as outlined in Section 2102.011, *Texas Government Code*; and
  - The TTU System's fraud prevention program and any significant results from investigations of fraud, waste, and abuse.
  
- Promote an atmosphere of open communication and cooperation with the State Auditor's Office to utilize the knowledge of the State Auditor in assessing control activities, management, internal audit function, and the impact of each one on the quality and reliability of the TTU System's operations, outcomes, and results.
  
- Conduct executive sessions as authorized by law.
  
- Formally evaluate the Chief Audit Executive's performance on an annual basis, including a review of related compensation, to be completed no later than March of each fiscal year.
  
- Report Committee actions to the Board with any recommendations the Committee may deem appropriate.