

UNIVERSITY OF CENTRAL ARKANSAS
BOARD POLICY

Policy Number: 213

Subject: Audit and Finance Committee

Date Adopted: 05/09 Revised: 02/10, 08/11, 12/11, 09/12, 05/14

1. **Creation of Audit and Finance Committee.** There is hereby created a committee of the University of Central Arkansas Board of Trustees (“board”) to be known as the Audit and Finance Committee (“committee”).
2. **Members of the Audit and Finance Committee.** The Audit and Finance Committee shall be composed of three members of the board. The members of the committee shall be elected and shall serve terms as follows:
 - (a) For calendar year 2012, two members of the Board of Trustees shall be elected by the board and shall serve a term of one-year. The third member of the committee shall serve a two-year term and shall be that person appointed by the governor of the State of Arkansas to a full seven-year term on the Board of Trustees beginning January 15, 2012.
 - (b) For calendar year 2013 and years thereafter, the Board of Trustees shall elect one person to serve a one-year term on the committee. The other appointment to the committee for that year shall be the board appointment made in January of the applicable year by the governor of the State of Arkansas to a full seven-year term on the Board of Trustees and such person shall serve a two-year term on the committee. The third member shall be the continuing member from the prior year.

Any elections by the Board of Trustees shall occur at the last board meeting of each calendar year with such persons taking office on the first day of the following calendar year.

The chair of the Board of Trustees shall never be a member of the Audit and Finance Committee. If for any reason, the chair of the Board of Trustees is in line to be a member of the committee, a vacancy shall be declared for such position, and the full Board of Trustees shall elect a replacement to serve.

3. **Chair of the Audit and Finance Committee.** The members of the Audit and Finance Committee shall select a chair for the committee. The chair of the committee shall be responsible for calling meetings of the committee, and shall also meet separately with the vice president of finance and administration, director of the Office of Internal Audit, any independent accountants, and management to discuss any matters the chair deems necessary or required.
4. **Purpose; Scope of Responsibility of the Audit and Finance Committee.** The purpose of this committee shall be to aid and assist the university, the board, the Office of Internal

Audit, and the Division of Finance and Administration. Nothing herein shall be deemed to abrogate any authority or responsibility of the Arkansas Division of Legislative Audit.

The Audit and Finance Committee shall consider and recommend to the board matters of policy relating to internal and external audits and such other matters as may be referred to the committee by the president or the board. Its primary function is to assist the board in fulfilling its oversight responsibilities by reviewing financial information, which will be provided to the legislature and others, the systems of internal controls that management and the board have established, the audit process, and the financial operations of the university. The Audit and Finance Committee shall have the power to authorize, oversee and/or conduct investigations into any matters within the committee's scope of responsibilities.

5. **Meetings of the Audit and Finance Committee.** The Audit and Finance Committee shall meet at least four times per year, with each such meeting occurring prior to the regularly-scheduled meeting of the board. The committee may meet more frequently as circumstances require. The committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
6. **Responsibility for Office of Internal Audit.** The Office of Internal Audit of the University of Central Arkansas shall report directly to the Audit and Finance Committee, and no office, department or employee of the University of Central Arkansas shall have any oversight responsibility for, nor exercise supervisory control over, the Office of Internal Audit. Provided, however, administrative responsibility for salaries, budget, travel, and other operating expenses shall be handled by the general counsel, subject to the approval of the chair. In addition, the Office of Internal Audit shall provide drafts of audits to the general counsel and to the members of the committee.
7. **Specific Responsibilities of the Audit and Finance Committee.** In meeting its responsibilities, the Audit and Finance Committee is expected to:
 - a. provide an open avenue of communication between the internal auditors, any independent accountant (if utilized), management of the university and the Board of Trustees;
 - b. review and update the responsibility of the committee, subject to approval by the Board of Trustees;
 - c. if necessary or required, recommend to the board any independent accountants to be nominated, approve the compensation of the independent accountants, and review and approve the discharge of the independent accountants. Independent accountants are ultimately accountable to the board and to the Audit and Finance Committee;
 - d. review and concur in the appointment, replacement, reassignment, or dismissal of the director of the Office of Internal Audit, or any staff person of such office;
 - e. confirm and take or recommend any appropriate actions to assure the independence of the internal auditor, and if required, any independent accountants. Obtain disclosures

regarding the accountants' independence as required by generally-accepted government auditing standards and discuss with the accountants all significant relationships to determine the accountants' independence;

- f. inquire of management, the director of internal audit, and the independent accountants about significant risks or exposures and assess the steps management has taken to minimize such risk to the University of Central Arkansas;
- g. consider, in consultation with the independent accountants and the director of internal audit, and approve the audit scope and plan of the internal auditors and the independent accountants;
- h. review with the director of internal audit and the independent accountants the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
- i. consider and review with the independent accountants and the director of internal audit the adequacy of internal controls including computerized information system controls and security;
- j. review with management, the internal auditors, and if necessary, any independent accountants, any of the following matters following an examination:
 - i. the financial statements and related footnotes and consider whether they are consistent with information known to committee members;
 - ii. the independent accountants' audit of the financial statements and their report thereon;
 - iii. significant accounting and reporting issues, recent pronouncements, and complex or unusual transactions during the audit period under review;
 - iv. significant findings and management responses thereto;
 - v. any significant changes required in the internal auditors' or independent accountants' audit plan;
 - vi. any serious difficulties or disputes with management encountered during the course of the audit; and/or
 - vii. such other matters related to the conduct of the audit, which are to be communicated to the Audit and Finance Committee under generally accepted auditing standards.
- k. review with the vice president of finance and administration the planning, design and implementation of the financial and business service operations of the university,

including the preparation of operating budgets, the monitoring of revenues and expenditures, the analysis of the university's debt service and capacity, both educational and general as well as auxiliary, and such other financial matters as the committee may, from time-to-time, direct.

8. **Review with Director of Internal Audit.** Consider and review with management and the director of internal audit:
 - a. significant findings during the year and management's responses thereto;
 - b. any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information;
 - c. any changes required in the planned scope of their audit plan;
 - d. the internal audit department's budget, staffing and organizational structure of the department;
 - e. the department's compliance with Institute of Internal Auditor's Standards of Professional Practice of Internal Auditing; and
 - f. review legal and regulatory matters that may have a material impact on the financial statements and related compliance policies.

9. **Report to Board of Trustees.** Report Audit and Finance Committee actions to the board with such recommendations, as the committee may deem appropriate.