

**CHAIRS OF EXCELLENCE TRUST FUND BOARD OF TRUSTEES
AUDIT COMMITTEE CHARTER**

PURPOSE

The primary purpose of the Chairs of Excellence (COE) Audit Committee is to assist the Board of Trustees in fulfilling its oversight responsibilities with respect to:

- The financial reporting process
- The system of internal controls and risk management
- The internal and external audit process
- The standards of professional conduct

The Audit Committee's responsibility is one of oversight recognizing the agency's management is responsible for:

- Preparing the financial statements
- Subject to the financial and accounting policies for the State of Tennessee
- Implementing and monitoring internal controls as well as compliance with laws and regulations
- The Comptroller of the Treasury is statutorily responsible for financial and compliance auditing

AUTHORITY

- Oversee resolution of any disagreements between management and the auditor regarding financial reporting
- Seek any information required from employees whom are directed to cooperate with such requests
- Meet as needed with divisional officers, state auditors or legal counsel
- Requiring internal auditors to report directly to the Audit Committee

COMPOSITION & MEETINGS

The Audit Committee shall be a standing committee of the Board of Trustees consisting of four members or their designees for the Board of Trustees. The members of the Audit Committee shall be independent and have the appearance of independence of any conflicts of interest in regards to their duties as members of the Audit Committee. The Audit Committee shall consist of:

- The President of the University of Tennessee
- The Secretary of State
- The Commissioner of Finance and Administration
- The president of one (1) of the following state universities:
 - (i) Austin Peay State University
 - (ii) East Tennessee State University
 - (iii) Middle Tennessee State University
 - (iv) Tennessee State University
 - (v) Tennessee Technological University or
 - (vi) The University of Memphis

The Audit Committee shall elect the Chair. A majority of the Audit Committee shall constitute a quorum.

The Audit Committee shall meet to discuss internal and external audit reports as well as other business no less often than once per year. Participation in committee meetings may be in person or via teleconferencing as permitted by state regulation. Written minutes of all meetings will be maintained.

RESPONSIBILITIES

Audit Committee responsibilities include:

Financial Reporting Process

- Review significant accounting and reporting standards, as applicable
- Review financial statements and comprehensive annual financial report

Internal Controls & Risk Management

- Review the adequacy of internal controls for compliance with policies, plans, procedures, laws, and regulations with management
- Understand the scope of internal and external auditors' review of internal control
- Inquire of management and auditors about significant risks and how those risks are managed
- Review management's processes for assessment of risk, including fraud risk, for adequacy
- Review risk assessment results ensuring internal controls sufficiently mitigate assessed risks in the agency

Internal & External Audit

- Review reports issued by internal and external auditors
- Ensure management has taken appropriate action on audit recommendations made by internal or external auditors
- Discuss the proposed scope and approach of the external audit as well as the results of the audit with representatives of the Comptroller of the Treasury, including any difficulties encountered during the course of the audit
- Encourage internal or external auditors to discuss any issues of concern with the Audit Committee

Standards of Conduct

- Immediately report any fraud to the Comptroller of the Treasury's office
- Communicate to the Director of COE, the Chief Investment Officer, and the Treasurer their responsibility for preventing, detecting, and reporting fraud, waste, and abuse as well as reporting any instances of fraud, waste, and abuse to the Audit Committee and the Comptroller of the Treasury
- Review communications from the Director of COE, the Chief Investment Officer, and the Treasurer to agency personnel concerning their obligation to prevent, detect, and report fraud, waste and abuse as well as reporting any instances of fraud, waste and abuse to the Audit Committee and the Comptroller of the Treasury;

- Ensure procedures exist for the receipt, retention, and treatment of complaints about accounting, internal controls, or auditing matters;
- Periodically review the agency's Professional Standards of Conduct and Code of Ethics ensuring it is easy to access, widely communicated, and easy to understand and implement
- Ensure the Professional Standards of Conduct contains a comprehensive conflict of interest policy which includes documenting potential conflicts and resolutions
- Ensure the Professional Standards of Conduct are enforced
- Ensure the term "conflict of interest" is clearly defined
- Review management's process for obtaining, within division policies or at least annually, documentation of employees' signatures acknowledging review of the agency's Professional Standards of Conduct
- Regularly update the board about committee activities and make appropriate recommendations
- Periodically review and amend the Audit Committee charter

Audit Committee Relationship with Management

- Review management's assertion internal controls are effective and adequate
- Evaluate whether management is setting the appropriate 'control culture' and 'tone at the top' by communicating the importance of internal controls and risk management
- Ensure a confidential mechanism is in place for staff to report any suspected fraud, abuse or other complaints regarding operations to the Audit Committee

Adopted by COE Board of Trustees

Date _____

Chairman _____

Secretary _____

Revised: 7/7/2017