

4.2 Audit and Fiscal Responsibility

The Board of Trustees has been entrusted with the responsibility for overseeing that the University remains financially sound for all future generations of Arkansans. This Committee is charged with maintaining the University's commitment that it will judiciously manage and spend funds without placing unnecessary hardships on the citizens of Arkansas. The Committee will accomplish this charge by recommending fiscally responsible policies to the Board for approval and annually reviewing strategic financial reports related to the financial operations of the University. The Committee shall also consider and recommend to the Board matters of policy relating to internal and external audits and such other matters as may be referred to it by the President or the Board.

4.2.1 Audit and Fiscal Responsibility Committee Charter

The Charter for the Audit and Fiscal Responsibility Committee is set forth as follows:

One of the Committee's primary functions 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 which management and the Board of Trustees have established, and the audit process.

In meeting its responsibilities, the Committee is expected to:

1. Provide an open avenue of communication between the internal auditors, any independent accountant, management, and the Board of Trustees.
2. Review and update the Committee's charter and the Internal Audit Department's charter annually with approval by the Board of Trustees.
3. Recommend to the Board of Trustees the 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 of Trustees and to the Committee.
4. Review and concur in the appointment, replacement, reassignment, or dismissal of the chief audit executive.
5. Confirm and take or recommend any appropriate actions to assure the independence of the chief audit executive and the 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.

100.4

6. Inquire of management, the chief audit executive, and the independent accountants about significant risks or exposures and assess the steps management has taken to minimize such risk to each constituent institution and the University system.
7. Consider, in consultation with the independent accountants and the chief audit executive, the audit scope and plan of the Internal Audit Department and the independent accountants.
8. Review with the chief audit executive and the independent accountants the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
9. Consider and review with the independent accountants and the chief audit executive the adequacy of internal controls including computerized information system controls and security.
10. Review with management and the independent accountants and/or the Internal Audit Department at the completion of an examination:
 - (a) The financial statements and related footnotes and consider whether they are consistent with information known to committee members.
 - (b) The independent accountants' audit of the financial statements and their report thereon.
 - (c) Significant accounting and reporting issues, recent pronouncements, and complex or unusual transactions during the audit period under review.
 - (d) Significant findings and management responses thereto.
 - (e) Any significant changes required in the Internal Audit Department's or independent accountants' audit plans.
 - (f) Any serious difficulties or disputes with management encountered during the course of the audit.
 - (g) Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
11. Consider and review with management and the chief audit executive:
 - (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 budget, staffing and organizational structure of the department.
- (e) The Internal Audit Department's compliance with the Institute of Internal Auditors' ~~International Standards for the Professional Practice of Internal Auditing~~ Global Internal Audit Standards.
12. Review legal and regulatory matters that may have a material impact on the financial statements and related compliance policies.
13. The Chair of the Committee shall meet with the chief audit executive, the independent accountants, and management separately to discuss any matters that the Chair or these groups believe should be discussed privately.
14. Report Committee actions to the Board of Trustees with such recommendations, as the Committee may deem appropriate.
15. The Committee shall have the power to authorize, oversee and/or conduct investigations into any matters within the Committee's scope of responsibilities.
16. The Committee shall meet at least four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
17. Escalation of Audit Issues to the President and Audit and Fiscal Responsibility Committee Chair

The chief audit executive is directed to report certain issues to the President and Audit and Fiscal Responsibility Committee Chair when expansion of an audit scope is warranted or access to records is denied, limited or delayed and could impact the timely completion of an audit. A summary of those issues, includes but is not limited, to the following:

- Unauthorized override of the University's established internal control system
- Non-responsiveness to audit inquiries and/or non-cooperation with audit requests
- Inadequate disclosures and/or inaccurate representations

- Missing and/or inaccurate accounting and other supporting documentation ^{100.4}

18. Resolution of Differences of Opinions on Audit Issues

Any unresolved differences of opinions with regard to audit findings, conclusions, recommendations, and/or the adequacy of management's response to the audit and issues raised during the audit should be brought to the Committee for resolution. In the event the Committee is unable to arrive at a determination, for whatever reason, the matter should be resolved by the Board of Trustees at their discretion.