

## **Model Audit Committee Charter** **(Approved July 15, 2015)**

### **PURPOSE**

To assist the Fayette County Public Schools Board (The Board) in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the district's process for monitoring compliance with laws and regulations and the code of conduct.

### **AUTHORITY**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Assist in appointing and oversight of the work of any registered public accounting firm employed by Fayette County Public Schools.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audits, auditing and non-auditing services.
- Review any independent counsel, accountants, or other consultants hired to advise the committee or assist in the conduct of an investigation.
- Request any information it requires from employees through Fayette County Public Schools protocol as directed to cooperate with the committee's requests or external parties.
- Meet with Fayette County Public School officers, staff, external auditors, internal auditors or outside counsel, as necessary.

### **COMPOSITION**

The audit committee will consist of at least one and no more than two members of the board of education. The board or its nomination committee will appoint committee members and the committee charter.

Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

### **MEETINGS**

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agenda will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

### **RESPONSIBILITIES**

The committee will carry out the following responsibilities:

## Financial Statements

- 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.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and considered whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external and internal auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

## INTERNAL CONTROL

- Consider the effectiveness of the district'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's responses.

## INTERNAL AUDIT

- Approve the internal audit auditor's assignments.
- Approve the annual audit plan and all major changes to the plan.
- Review the internal audit activity's performance relative to its plan.
- Review with the internal auditors work as it relates to the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.

- At least once per year, review the performance of the internal auditors and concur with the annual compensation.
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the *International Standards for Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the internal auditors to discuss any matters that the committee or internal audit believes should be discussed privately.

#### External Audit (Risk Management)

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and be informed of final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements for the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

#### Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and district legal counsel regarding compliance matters.
- The Compliance Officer will give a summary report annually to the committee and subsequently to the FCPS Board concerning regular, internal, whistleblower and special audits.

#### Reporting Responsibilities

- Regularly report to the Board about committee activities, issues, and related recommendations.

- Provide an open avenue of communication between internal audit, the external auditors, and the Board.
- Report annually to taxpayers, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the district issues that relate to committee responsibilities.

#### Other Responsibilities

- Perform other activities related to this charter as requested by the board of education.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in the charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

### **LIMITATION ON COMMITTEE DUTIES**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to determine that FCPS financial statements are complete and accurate or to determine that such statements are in accordance with generally accepted accounting principles. FCPS management is responsible for the preparation of FCPS financial statements in accordance with generally accepted accounting principles and FCPS internal controls. FCPS independent accountants are responsible for the audit work on FCPS financial statements. It is also not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and FCPS policies and procedures. FCPS management is responsible for compliance with laws and regulations and compliance with FCPS policies and procedures.

#### **Financial Management Responsibility for Financial Reports**

The Superintendent, Administrative Services Sr. Director, and Director of Finance must certify that: (a) they have reviewed the report, (b) the report does not contain any misrepresentation, (c) the financial information in the report is fairly presented, (d) they are responsible for "disclosure controls and procedures" (e) they have reported any deficiencies in internal controls and fraud involving management to the audit committee, and (f) they have indicated any material changes in internal controls.

A violation must be knowing and intentional to give rise to liability.

Fayette County Public Schools will comply and ensure that the Superintendent, Administrative Services Sr. Director, and Director of Finance sign a certification statement regarding the annual financial statements (see attached sample). Additionally, management level financial people should be required to sign off that the information/data submitted to the Financial Management designees of the district are correct and complete. (e.g. Food Service Director or Director of Risk Management & Safety, etc.) The certification should include verification that the reported items are true, to the best of their knowledge.

**Financial Management Statement Certification**

I hereby certify that:

I have reviewed the financial statements of Fayette County Public Schools of \_\_\_\_\_ for the year ended \_\_\_\_\_, 20\_\_.

Based on my knowledge, these financial statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of FCPS of \_\_\_\_\_ as of, and for the period ended \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
**Superintendent**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Administrative Services Sr. Director**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Director of Finance**

\_\_\_\_\_  
**Date**