



## **Finance, Audit, and Enterprise Risk Management Committee Charter**

### **Purpose:**

The Finance, Audit, and Enterprise Risk Management (ERM) Committee of the Board of Trustees assists the Board of Trustees in fulfilling its responsibility for oversight of the following:

- The integrity of the University's financial operations, physical plant, and financial health;
- The quality and integrity of the accounting, auditing, and reporting practices of the University, with particular focus on effective internal controls, advising the University on business and financial risk as identified in any audit process, and compliance with significant applicable legal, ethical, and regulatory requirements;
- The identification, assessment, monitoring and response to enterprise risks, in fulfillment of the University's mission and strategic plan.

### **Responsibilities:**

The Committee serves in an advisory capacity to assure the demonstrable integrity, accountability, completeness, and effectiveness of University policies and their implementation, guided by analytical consideration of the magnitude of potential institutional risks and vulnerabilities.

The Committee will provide strategic oversight of matters related to:

- Financial performance of the institution;
- Plans for issuance of debt for long-term financing of capital projects;
- Financial statements of the University and other official financial information provided to the public;
- The system of internal controls, including compliance with applicable policies, procedures, and risk management;
- Integration of enterprise risk identification, assessment, response, and monitoring into existing decision-making strategic planning and budgeting processes;
- The annual independent audit process, including recommending to the Board the appointment, compensation, retention, and oversight of the independent auditors engaged to audit the financial statements of the University;
- The effectiveness of the internal audit program;
- Interactions with the state auditor, as appropriate; and,
- Undertake an annual evaluation of the Committee's performance.

The Committee will review and make recommendations to the Board to ensure sound financial and risk management, accurate financial reporting, and institutional compliance with applicable legal, ethical and regulatory requirements. The Committee's duties do not replace or duplicate established responsibilities and delegations for University leadership and management. Further, the Committee does not act on behalf of the Western Washington University Board of Trustees, conduct hearings, or take testimony or public comment.

**Membership:**

The membership of the Committee consists of three trustees selected by the Board. The Committee's liaison to the Board is the Chair of the Finance, Audit and ERM Committee. The Vice President for Business and Financial Affairs will generally serve as staff and primary liaison to the Committee except for the internal audit function for which the Director of Internal Audit shall be the staff and liaison to the Committee. The Committee shall include or have access to a financial expert as appropriate.

**Operations:**

The Committee meets at least four times a year. Additional meetings may occur as the Committee, or its chair deems advisable. As appropriate, the Committee will invite members of the administration, faculty, staff or others to attend meetings and provide pertinent information. The Committee will cause to be kept adequate minutes of all its proceedings and will report on its actions and activities at the next meeting of the Board.

**Communications:**

With respect to the Committee's auditing functions, the internal auditor, independent auditors and state auditor report directly to the Committee. The Committee maintains free and open communication with the internal auditors, the independent auditors, the state auditor, and management, including periodic private sessions with each of these parties.

## **Relationship between Finance, Audit and ERM Committee, University Leadership, Internal Auditor, Independent Auditors, and State Auditor**

The Committee relies on the expertise and knowledge of the University's leadership team, the internal auditor, the independent auditors and the state auditor in carrying out its oversight responsibilities. The President of the University is responsible to the Board and with the counsel of the Committee for ensuring that internal controls are reasonable, and for determining that the University's financial statements are complete, accurate and in accordance with generally accepted accounting principles. The independent auditors are responsible for auditing the University's financial statements. The state auditor's responsibilities are established by law and carried out pursuant to the policies and procedures dictated by the Washington State Auditor's Office. The internal auditor is responsible for providing an independent appraisal function which evaluates the University's activities to assist the Board of Trustees, President and University leadership team in the discharge of their oversight, management, and operating responsibilities.

### **Responsibilities to be Evaluated in Annual Committee Performance Assessment**

In performing its audit oversight responsibilities, the Committee shall:

#### **General:**

1. Review the coordination of audit efforts to ensure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent auditors other than the state auditor.
2. Meet with the President in private session to discuss any matters the Committee or the President believes should be discussed privately.
3. Review policies and procedures with respect to transactions between the University and trustees, or affiliates of trustees.
4. Review with management and the independent auditor the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any.

#### **Internal Controls, Risk Assessment and Financial Reporting:**

1. Inquire of the University leadership team, the internal auditor, the independent auditors and the state auditor about significant risks or exposures, review the University's policies and processes for risk assessment and risk management, and assess the steps management has taken to control such risk to the University.
2. Consider and review the University's internal controls with management and appropriate auditors related to:
  - a. The University's assessment of the effectiveness of its internal controls and any auditor's attestation and report on the University's assessment.

- b. The adequacy of the University's internal controls including computerized information system controls and security.
  - c. Any related significant internal control findings and recommendations of the independent auditors or state auditor together with management responses.
3. Periodically, review with the President and the appropriate auditors the University's critical accounting policies.
4. Review and oversee procedures for (a) receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls, and auditing matters; and (b) the confidential, anonymous submission of employee concerns regarding accounting or auditing matters.

**Internal Audit Program:**

1. Annually review the Internal Audit Charter and make recommendations to the Board of Trustees.
2. Participate in the annual audit planning risk assessment process. Review and make recommendation to the Board of Trustees for approval of the risk-based annual audit plan.
3. At least four times a year on such dates as specified by the Committee Chair, receive updates from the Office of the Internal Auditor on the status of the annual audit plan and other matters. Receive and review all reports issued by the Office of the Internal Auditor and ensure that management responds appropriately to issues raised.
4. Ensure that the internal audit function has an external quality assurance review every five years at a minimum or a lesser period of time at the discretion of the Committee. Review the results of the independent external quality assurance review and periodic internal assessments, and monitor the implementation of the action plans to address recommendations raised.
5. Review and concur with the President on the appropriate organizational structure, staffing and budget for the Office of the Internal Auditor to ensure functional independence and to enable it to effectively carry out the internal audit program's responsibilities.
6. Review and make recommendations as appropriate related to the President's appointment, evaluation, replacement, reassignment, remuneration or dismissal of the Director of the Office of the Internal Auditor.
7. Meet with the Director of the Office of the Internal Auditor in private session to discuss any matters the Committee or internal audit believes should be discussed privately.

**External Audit Activities:**

1. Recommend to the Board of Trustees the appointment or replacement of the independent auditors and approve the terms on which the independent auditors are engaged for the ensuing fiscal year. The Committee shall solicit the input of management in the selection process.

2. Evaluate the independent auditors' qualifications, performance, and independence, including that of the lead partner.
3. Pre-approve any non-audit services provided by the independent auditors, including tax services.
4. Ensure the periodic rotation of lead or concurring partner for the independent auditor and establish appropriate interval for rotation.
5. Resolve any disagreements between management and the independent and/or state auditors.
6. Ensure receipt from the independent auditors of a formal written statement delineating all relationships between the auditors and the University or any other matter that may impact the objectivity and independence of the auditors.
7. Review with the independent auditor, state auditor and University President the scope and plan for the various audits.
8. Upon completion of each audit performed by the independent and state auditors, conduct a detailed review of the audit report with management and the appropriate auditor and discuss any significant findings, recommendations, and management's responses.
9. Review with management, the independent auditor and state auditor, all matters required to be communicated with the Committee under generally accepted auditing standards.
10. Inquire of the independent and state auditors any difficulties encountered in the course of audits, including any restrictions on the scope of work or access to required information.
11. Meet with the independent auditors and state auditor in private sessions to discuss any matters the Committee or the auditors believe should be discussed privately with the Audit Committee, and report the results of such meetings to management. In order to assure independence, private sessions shall be held at least once a year.
12. Receive and review all outside audit, investigation and regulatory findings and reports of the University including, but not limited to, those from the State Auditor's Office Whistleblower Program, Executive Ethics Board, and Internal Revenue Service. Ensure that management responds appropriately to issues raised.

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