

Governing Board's Finance and Audit Committee Charter

Purpose

The purpose of the Finance and Audit Committee ("the Committee") is to assist the Pima County Community College District (PCCCD) Governing Board's oversight and monitoring responsibilities of financial, audit, and investment related performance, policies, and procedures, including:

- The College's financial condition, annual budget performance; and capital investment;
- The reliability, integrity, and transparency of financial information reporting and disclosure;
- The ongoing monitoring of processes to ensure the adequacy of the system of internal controls and their functioning;
- The independence and performance of internal and external auditors;
- The compliance program and internal audit program;
- The investment function and its policies, procedures, and performance; and
- Identification and control of key risks and related policies, processes, and ongoing monitoring efforts.

Composition

The Committee will consist of no fewer than seven but no greater than ten members, independent of the staff of the College and free of any relationships that would interfere with their abilities to exercise independent judgment as Committee members. The chief financial officer of the College will serve on the committee *ex officio* and will be responsible for providing staff support to the Committee.

The composition of Committee members shall be as follows:

- PCCCD Governing Board Members (2)
 - The Governing Board may designate a Board Member as an alternate to serve at a meeting if either of the appointed members are unable to attend
- Community Representatives (5-8)
- Chief financial officer (*ex officio*, non-voting)

The two PCCCD Governing Board Members shall be appointed by a vote by the Governing Board.

The community representatives shall be professionally knowledgeable about finance, accounting, auditing, and/or investments and will be recommended by the Committee and appointed by the PCCCD Governing Board.

All members of the Committee shall be familiar with the basics of PCCCD finance and accounting practices, understand PCCCD's business, and generally understand internal control and risk management frameworks. To obtain this familiarity and understanding, Committee members will be provided training conducted by PCCCD.

The Committee shall elect a chair and chair-elect, which will be community representatives. One of the College's Governing Board members will serve on the Committee as the co-chair. To the extent possible, the co-chair will be a member of the Board who has previously served on the Committee. Length of service will be expected to be at least one

full fiscal year and will be a maximum of two three-year terms, with each year being a fiscal year. In the event a committee member begins service part way through a fiscal year, the remaining portion of that fiscal year shall not count towards the term limit, but rather the first complete fiscal year served will count towards the term limit. Due to the nature of some of the information that Committee members will work with, Committee members will be required to sign a confidentiality statement.

Meetings

The Committee will meet no fewer than four times per year and more often as needed. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved at a subsequent Committee meeting.

The Committee may hold executive sessions when deemed necessary (e.g. to discuss matters with external auditors, internal auditors, and/or general counsel). Executive sessions allow for the discussion of any matters believed better discussed without members of management present. Such matters might include complaints, ethics violations, fraud, or legal and regulatory inquiries.

State of Arizona open meeting statutes A.R.S. §§ 38-431 to 431.09 will be applicable.

Responsibilities

The College's chief financial officer, the director for internal audit, the Chancellor, and other College employees are responsible for, among other things: determining that the College's financial statements are complete, accurate, and prepared in accordance with generally accepted accounting principles; planning or conducting audits; developing budgets; and managing the financial operations of the College. These employees are also responsible for the preparation, presentation, and integrity of the College's financial statements and for the appropriateness of the accounting principles and reporting policies used by the College. Independent external auditors are responsible for auditing the College's financial statements and other aspects of the College's business.

The responsibilities of the Finance and Audit Committee are to assist the Governing Board and College administration by monitoring:

I. Financial Reporting

1. Review with College staff, the external auditors, and the director of internal audit, financial statements, reports, and other financial information related to College business.
2. Review with College staff, the external auditor, and the director of internal audit, recent or proposed professional and regulatory pronouncements, including, when applicable, those having a material impact on the financial statements.
3. Annually, review with College staff, the external auditors, and the director of internal audit, the external auditor's proposed audit scope and approach for the upcoming annual audits, including coordination of efforts with internal audit.
4. Annually, review with College staff, the external auditor, and the director of internal audit, the annual audited financial statements, and related documents.
5. Annually, review with finance personnel, College staff, the external auditor, and the director of internal audit, the external auditors' report on Internal Control over Financial Reporting and Compliance, and the results of tests of compliance with certain provisions of laws, regulations, contracts, and grants.

II. Investments

1. Review investment policies including investment goals, asset allocation, distribution policies, and performance benchmarks, adjusting as market changes dictate.
2. Review investment costs, including cost of internal management, fees to outside managers, and custodial, reporting, and brokerage fees.
3. Review performance of investments compared to relevant benchmarks or indices.
4. Provide recommendations for improvements as determined.

III. Risk, Internal Control, and Governance

1. At least annually, review with College staff, the external auditor, the director of internal audit, and other involved parties, major risks and exposures, including physical and information technology security, and the steps taken to monitor and control such risk and exposures.

IV. Internal Audit Function

1. Review with College staff and the director of internal audit completed internal audits and audits in progress.
2. Review with College staff and the director of internal audit the status of any outstanding internal audit recommendations and action plans, including any follow-up activity that was performed.
3. Annually, with College staff and the director of internal audit, review internal audit's risk-based annual audit plan and provide recommendations to the Governing Board.
4. Annually, review with College staff and the director of internal audit the adequacy of the internal audit charter, objectives, budget, and staffing, including the adequacy of its organizational reporting structure, to ensure it supports an independent internal audit function.
5. Annually, review with College staff and the director of internal audit the compliance of internal audit with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

V. Audit Committee Management, Reporting, and Other Responsibilities

1. Provide an open avenue of communication between the Finance and Audit Committee and external auditors, the director of internal audit, finance personnel, College staff, and the Governing Board.
2. Review any substantive issues that arise with respect to the quality or integrity of the financial statements and information, risk management processes, systems of internal control, governance processes, compliance with legal or regulatory requirements, and the performance and independence of external auditors or internal auditors.
3. Review related findings and recommendations of the external and internal auditors together with management responses.
4. The Committee may request the Governing Board investigate matters brought to its attention.
5. Periodically review and update this Charter.
6. Annually provide a report to the Governing Board describing the Committee's composition, meeting minutes, responsibilities, and how they were discharged.
7. Review such other financial-related matters as may be requested by the Governing Board from time to time.