

STATE BOARD OF EDUCATION
AUDIT COMMITTEE CHARTER

Adopted: April 13, 2021

This document describes the authority, responsibilities, and structure of the State of Oregon Board of Education's Audit Committee.

A. Purposes

The Audit Committee (Committee) provides oversight of internal auditing for the Department of Education (ODE). The primary purpose of the Committee is to enhance the quality and independence of the audit function, thereby helping ensure the integrity of the internal and external audit processes. The Audit Committee, in consultation with the chief audit executive, sets the priorities of the internal audit function, promotes a strong internal control environment, and evaluates the adequacy of agency responses to risks or weaknesses identified through audits, reviews, or other processes, including those performed by external parties. Committee members are also involved in appraising the value of and assuring the sufficient funding of the internal audit function. The Audit Committee shares the Board's equity values, which inform the Committee's decisions.

B. Authority

The authority of the Audit Committee is set forth in Oregon Administrative Rule (OAR) 125-700-135(5), Agency Internal Audit Function Governance, section (5) "Each agency having an internal audit function shall establish and maintain an audit committee". OAR 125-700-135(5)(b) is derived from Oregon Revised Statute 184.360, "Internal audits in state government; policy; reports; rules". OAR specifies the Audit Committee as the governance body to which the internal audit function reports, other duties set forth in OAR are stated below.

In discharging its responsibilities, the Audit Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee also will have unrestricted access to records, data, and reports. The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities.

C. Duties

The Audit Committee generally shall enhance the quality and independence of the internal audit function, ensure the integrity of the internal audit process, and promote internal audit effectiveness in identifying and recommending mitigations to risks. The Internal Audit Function reports functionally to the Audit Committee. In this role the Audit Committee shall:

- Assure the independence of the internal audit function, and annually obtain from ODE internal auditors: a statement of Code of Ethics compliance and disclosures of actual or perceived conflicts of interest.
- Provide input on agency risk assessments, which form the basis of the audit plan.
- Review and approve the internal audit plan, which sets out the priorities of the internal audit unit for the following period.
- Receive audit reports. Evaluate audit findings, recommendations, and planned management improvements in the light of the risk that management is willing to assume.
- Assure follow-up on internal audit report findings and recommendations to determine whether proper corrective action has been completed or that senior management has explicitly assumed the risk of not taking the recommended corrective action.
- Advise executive management, the chief audit executive, and/or the Board or Councils, as appropriate, on the governance of risk management activities.

- Be informed in writing of scope or resource limitations placed on the internal audit function.
- Receive and review the internal audit annual report that is prepared for the Oregon Department of Administrative Services.
- Annually report on Audit Committee activities to the Board of Education.
- Obtain from the ODE chief audit executive an annual report on compliance with auditing standards and any challenges in meeting all auditing standards requirements.
- Monitor, and recommend actions to improve, the quality of the internal audit function.
- Participate in the performance appraisal of the chief audit executive.
- Provide input on management requests for audits to be performed by the Oregon Audits Division or independent consultants.
- Identify the level of audit resources that will provide the committee the desired amount and scope of information on which to make risk-based decisions.
- Advocate for adequate budget resources.
- Obtain external Quality Assurance Reviews of the internal audit function, as required by Oregon Administrative Rules and auditing Standards. Receive reports of external reviews of the internal audit function, and direct changes and improvements indicated by these reports.
- Approve and annually review the charters of the Audit Committee and of the internal audit function.
- The Audit Committee must be advised of the appointment or dismissal of the chief audit executive before such action becomes effective. Objections, if any, of such actions will be made part of the committee minutes and forwarded to agency management and the State Board of Education;
- Consider the effectiveness of the Agency's internal control system, including information technology security and control;
- Understand the scope of internal and external auditors' review of internal control over financial and performance reporting, and obtain reports on significant findings and recommendations, together with management's responses. 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 Secretary of State Audits Division financial auditors the results of the annual financial statement and Single Audit audits, including any difficulties encountered;
- Should any action come before the Audit Committee which requires a vote, and a Committee member has an actual or perceived conflict of interest, that member shall declare the conflict and refrain from voting on the action.

D. Composition

The Audit Committee is composed of between seven and nine voting members, a majority of whom shall not be paid employees of the Oregon Department of Education. Audit Committee membership should be ratified by the State Board of Education, and include the following members:

- At least one State Board Member, as appointed by the Board Chair.
- Deputy Superintendent of Public Instruction, Oregon Department of Education, or designee.
- Assistant Superintendent, Office of Finance and Administration, Oregon Department of Education, or designee.
- Between four and six additional external members, appointed by the Chair of the Audit Committee, in consultation with the Deputy Superintendent or designee, the chief audit executive, and the other Audit Committee members.
- The chief audit executive serves as a non-voting member of the Audit Committee.

Diversity and equity shall be considered in the selection of Audit Committee members. Failure to achieve or maintain a precise composition shall not prohibit the Audit Committee from meeting or advising the chief audit executive or management.

E. Terms and Succession

Agency staff are ex-officio members and serve for as long as they hold the position in the agency. The term of State Board members will coincide with the committee assignment process set out in State Board of Education policy. The external members are appointed for two-year terms, but may serve consecutive terms with no specified limit. However, the committee will monitor turnover and take steps to bring in new members at least every four years. Members considering resignation should attempt to notify the Committee sufficiently in advance such that a replacement can be brought on in time for the subsequent quarterly meeting.

Candidates for the Audit Committee may be nominated by any Committee member, nominations should reflect the Committee's need for a variety of perspectives. **The Chair will work with the Deputy Superintendent or designee, and the chief audit executive, to initially screen candidates.** The credentials of qualified candidates will be presented to the full Committee for deliberation and decision, to be ratified by the State Board of Education. **The Chair of the Audit Committee is drawn from current non-ODE external members, and may be nominated by any current Committee member.**

F. Meetings, Agendas, Minutes

The Audit Committee meets quarterly for up to two hours, with additional meetings held as necessary. Because of the amount of material typically covered during meetings, it is important that members attend regularly, be punctual and come prepared, having reviewed the meeting materials. The committee may ask agency management, staff, or others to attend meetings to provide pertinent information. A quorum is not necessary to hold a meeting and conduct business.

Standing agenda items include review and approval of the minutes for the prior meeting and roundtable time that allows committee members to bring forward any audit-related issues of concern. The chief audit executive will coordinate development of the remainder of the agenda by polling the Audit Committee members 10 -15 working days prior to the quarterly meeting and three to five days prior to any supplemental meeting. At least once a year, time on the agenda will be set aside for the external Audit Committee members to meet with the chief audit executive in the absence of any Audit Committee members employed by the Oregon Department of Education. Likewise, during at least one meeting per year, time will be set aside for the external Audit Committee members to meet with agency representatives in the absence of the chief audit executive. In addition, at least once a year the Director of the Secretary of State Audits Division will be invited to a meeting, during which time shall be set aside for meeting with Committee members absent ODE management and the chief audit executive.

The Oregon Department of Education will provide staff to attend Audit Committee meetings and prepare draft written minutes. The chief audit executive and Committee Chair will edit and distribute to members least five working days before the next scheduled meeting. A master file containing meeting agendas, minutes, and meeting materials shall be maintained by the Office of the Deputy Superintendent, Oregon Department of Education.

END
