



## **JEFFERSON COUNTY PUBLIC SCHOOLS AUDIT AND RISK MANAGEMENT ADVISORY COMMITTEE CHARTER**

This Charter (“Charter”) sets forth the guidelines, duties and responsibilities that govern the operation of the Audit and Risk Management Advisory Committee (“Audit Committee”) of the Jefferson County Public Schools (“JCPS”) as approved by the Jefferson County Public Schools Board of Education (“Board”).

### **I. Purpose**

The Board has established the Audit Committee to serve in an expert advisory capacity to assist the Board in the oversight of risks impacting the financial and strategic objectives of JCPS. The role of the Audit Committee shall be advisory in nature and any recommendations it provides to the Board shall be subject to review and approval by the Board.

The Audit Committee shall assist the Board in fulfilling the Board’s financial and risk management oversight responsibilities by advising the Board on:

- The integrity and presentation of financial statements and operational reporting;
- The qualifications, independence, and performance of the independent external auditors and the JCPS internal audit function;
- The system of internal controls including procedures for detecting fraud, waste, and abuse;
- Adequacy of the JCPS strategic and operational risk management processes;
- JCPS compliance with laws and regulations;
- Adequacy of JCPS investigations processes;
- JCPS ethics, values and culture; and
- Other matters as directed by the Board.

### **II. Authority**

The Audit Committee shall have all the necessary authority to fulfill its responsibility under this Charter and the Board’s resolutions including access to JCPS information, records, facilities and staff. The Audit Committee shall receive the same access to privileged and confidential information that it needs to know to fulfill its responsibilities as is afforded the Independent External Auditor, Internal Auditor, and members of the Board and shall abide by any confidentiality requirements and expectations of JCPS employees and the members of the



Board. Members of the Committee shall be required to execute any appropriate confidentiality agreements as well as complete any annual compliance training similar to that required of the members of the Board.

Management of JCPS, the Internal Auditor, and the External Auditor will provide updates to the Audit Committee on significant risk management, compliance and internal control matters in a proactive and timely manner.

The members of the Internal Audit function – including outsourced members, the Independent External Auditors, and JCPS management – shall have unrestricted access to the Audit Committee.

As an expert advisory body, the Audit Committee shall have no management decision-making responsibility, executive authority or operational responsibilities.

### **III. Meetings and Rules of Procedure**

The Audit Committee shall meet at least quarterly, or more frequently as circumstances may dictate. Meetings may be called by the Chairperson of the Board or the Chairperson of the Audit Committee. A majority of members of the Audit Committee shall constitute a quorum for any meeting.

All recommendations from the Audit Committee to the Board shall be reached by consensus of those members present at the meeting. Consensus is defined as an acceptable solution that all can agree to support. If consensus cannot be reached, then any recommendations shall be reached by vote of a simple majority of the Committee members present at the meeting and the various perspectives of the members conveyed to the Board.

The Audit Committee Chairperson will prepare or approve an agenda in advance of each meeting. Minutes shall be prepared and maintained for each Audit Committee meeting. The Audit Committee shall be subject to the Kentucky Open Meetings Law and shall follow all other rules, regulations or policies outlined by the Board or required by statute. Adherence to such rules shall include during executive sessions – when permitted by the Kentucky Open Meetings Law – with the External Auditor, Internal Auditor, or members of management.

To fulfill this Charter and undertake its work, the Audit Committee may establish rules of procedure so long as those rules do not conflict with this Charter or Board policies.



#### **IV. Composition**

Members of the Audit Committee shall be appointed by the Board, including the Committee's Chairperson and Vice-Chairperson. Members of the Audit Committee collectively shall possess knowledge in accounting, external auditing, internal auditing, governmental fund accounting, financial reporting, operational risk management, and strategic risk management. At least **two half** of the members shall be residents of the Jefferson County Public Schools district and at least one member shall be considered a financial expert as determined by the Committee. The Committee shall be made up of five or seven members unless otherwise directed by the Board and membership shall be balanced to the full extent practical for gender, diversity, and public- and private-sector experience.

Each member shall:

- Have or acquire rapidly an understanding of the strategy of JCPS and its mission and governance,
- Be independent of JCPS during their membership, and shall have not been employed by JCPS or have been a member of the Board for the three years prior to their appointment,
- Serve in their personal capacity and shall not seek or accept instructions regarding their work on the Audit Committee from any specific organization or interest group, and
- Not hold positions with companies that maintain a significant business relationship with JCPS or otherwise engage in activities that might impair, or appear to impair, their independence in carrying out the functions as members of the Audit Committee.

After the initial appointment of members by the Board, the Audit Committee shall recommend future members to the Board for their consideration and appointment to the Audit Committee. Recommended terms shall not exceed three years and shall be staggered to minimize the impact to the Audit Committee from member turnover. Members shall generally not be recommended for more than two consecutive terms. The Audit Committee shall make its recommendations for new members after consulting with the Board Chairperson and Superintendent.

#### **V. Duties and Responsibilities**

The primary function of the Audit Committee shall be to assist the JCPS Board of Education in fulfilling its financial and risk management oversight responsibilities. The Board, Superintendent, and the JCPS Finance Department shall remain ultimately responsible for the fair presentation of the financial statements and required disclosures, and for obtaining and monitoring the financial statement audits. The Audit Committee shall foster adherence to, and encourage continuous improvement opportunities for JCPS' policies, procedures, and practices



and provide an open avenue of communication between the External Auditor, Board, Superintendent, and appropriate employees in the JCPS Finance Department.

At all times the Audit Committee shall strive to eliminate redundancy in reporting and oversight by coordinating its activities with the Board Chairperson and Superintendent and utilizing as appropriate the oversight activities of other internal or external entities reviewing JCPS.

The Audit Committee's primary areas of responsibility include, but are not limited to, advising the Board on:

- 1) The integrity and presentation of financial statements and operational reporting.
  - a) Review and provide advice on the Consolidated Annual Financial Report as well as other key financial and operational reports.
  - b) Review and provide advice on the basis of accounting and significant accounting policies.
  - c) Meet privately with the Chief Financial Officer and Legal Counsel to discuss any matters that –when permitted by the Kentucky Open Meetings Law – may be afforded private consultation.
- 2) The qualifications, independence, and performance of the independent external auditors.
  - a) Advise on the reports of the independent external auditors.
  - b) Advise on the procurement process and selection of the independent external auditors.
  - c) Evaluate the efforts of the independent external auditor, including the auditor's actual independence and professional qualifications.
  - d) Advise on the appropriateness of the independent external auditor's engagement plan.
  - e) Meet privately with the independent external auditor to discuss any matters that – when permitted by the Kentucky Open Meetings Law – may be afforded private consultation.
- 3) The qualifications, independence, and performance of the JCPS internal audit function.
  - a) Advise on the processes for procurement, recruiting, selection, and performance review of the head of internal audit.
  - b) Be informed promptly of any actions taken by the JCPS superintendent regarding the hiring, termination, or modification of the terms of reference or compensation of the head of internal audit.
  - c) Review and provide advice on the adequacy of resources afforded the internal audit function and the adequacy of the internal audit work plan.
  - d) Review and advise on the reporting from the internal audit function.



- e) Meet privately with the head of internal audit to discuss any matters that –when permitted by the Kentucky Open Meetings Law – may be afforded private consultation.
- 4) The system of internal controls including procedures for detecting fraud, waste, and abuse.
  - a) Review comments and evaluations from management, auditors, and external regulators and consultants on the system of internal controls.
  - b) Review and advise on the adequacy of management follow-up on deficiencies in internal controls.
  - c) Review and advise on the cost/benefit of proposed recommendations and the adequacy of the root cause analysis leading to those recommendations.
- 5) Adequacy of the JCPS strategic and operational risk management processes.
  - a) The Audit Committee shall serve as the Board’s primary expert advisor on determining whether enterprise risks are identified and tracked by management.
  - b) Meet individually with the JCPS Superintendent, his/her Cabinet members, or other members of management as necessary to discuss key risks, risk appetite setting, and risk mitigation strategies.
  - c) Review and advise on the adequacy of risk oversight and mitigation that aligns to the Board’s level of risk appetite.
- 6) JCPS compliance with laws and regulations.
  - a) Review comments and evaluations from management, auditors, external regulators and consultants, and Legal Counsel on matters regarding compliance with laws and regulations.
- 7) Adequacy of JCPS investigations processes.
  - a) Review comments and evaluations from management, auditors, and external regulators and consultants on the processes for managing investigations.
  - b) Meet with Internal Audit, Compliance and Investigations, and Security and Investigations as necessary to understand their processes.
  - c) Assess the adequacy of capturing and triaging hotline complaints.
- 8) JCPS ethics, values and culture.
  - a) Review comments and evaluations from management, auditors, and external regulators and consultants on JCPS ethics, values and culture to the extent they impact the overall level of enterprise risk and system of internal controls.
- 9) Other matters as directed by the Board.
  - a) Maintain ongoing line of communication with the Chairperson of the Board.

## **VI. Reporting Requirements**



The Audit Committee Chairperson or Vice-Chairperson shall communicate the Audit Committee's activities and recommendations if any to the Board Chairperson and Superintendent after each Audit Committee meeting. The Audit Committee Chairperson shall coordinate with the Board Chairperson the timing of updates to the Board which shall occur at a Board meeting or working session. Such updates shall occur at least twice a year.

The Audit Committee as a whole shall provide an annual written report to the Board. The annual report shall:

- 1) Describe how the Audit Committee fulfilled its obligations under this Charter,
- 2) Describe any significant recommendations the Audit Committee has made to the Board or management,
- 3) Describe the degree to which recommendations from the Audit Committee have or have not been resolved,
- 4) Report on the Audit Committee's review of the annual audit report and any communication from the independent external auditor including any accompanying management letter or significant findings,
- 5) Report on significant internal control deficiencies, deficiencies in the enterprise risk management program, or concerns regarding fraud, waste or abuse,
- 6) Report on indications of material or significant non-compliance with laws, policies, procedures or regulations,
- 7) Report on any other matters that the Committee believes should be disclosed to the Board, and
- 8) Report on the review of the adequacy of this Charter including any recommendation for the Board to amend this Charter.

## **VII. Administrative Arrangements**

Members of the Audit Committee shall provide their services pro bono. The Office of the Superintendent shall provide administrative support to the Audit Committee in addition to



functional support (to include but not be limited to review of proposed agenda and coordination of action items and requests) provided by the designated head of Internal Audit.