

Fayette County Public Schools Audit Committee Charter (Revised in Compliance with IIA Standards)

PURPOSE

The purpose of the audit committee is 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, in accordance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards).

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 overseeing 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 of financial related nature.
- Review any independent counsel, accountants, or other consultants of financial related nature 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.
- The committee charter shall be periodically reviewed and updated by the committee as necessary. Any updates or revisions to the charter shall be reported to the Board of Education as applicable.

COMPOSITION

The composition of the audit committee shall comprise of voting and non-voting members, adhere to the following guidelines and shall not exceed 15 total members:

- Voting members of the committee will comprise of the following:
 - The voting members shall include a balanced representation of 3 to 5 community members who possess expertise in the fields of auditing and/or finance, and should be an odd number.
- Non-voting members of the committee will comprise of the following:
 - The committee shall include at least one and no more than two members who are part of the Board of Education.

- Equity Council Representative.
- School Administration Representative.
- Classified Staff Representative.
- Certified Staff Representative.
- 16th District PTA Representative.
- District Internal Auditor.
- District Compliance Officer.
- Executive Director of Financial Services.

The committee shall vote on the Audit Committee Chair and Vice Chair at the January quarterly Audit Committee meeting, or when a vacancy requires. The Chair and Vice-Chair shall serve a 3-year term from the date elected. In the absence of the Chair, the Vice-Chair will be in charge of the committee.

MEETINGS

The committee will meet at least four times a year, with the 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. The meeting agenda will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and posted in DRAFT form on the district's website prior to the following Audit Committee quarterly meeting. Approved minutes will be posted following the meeting where approval occurs.

Each Audit Committee member is required to attend a minimum of three of the five scheduled meetings. The meetings are scheduled for January, April, July, October, and November. A quorum of the committee shall be a majority (more than 50%) attendance of voting members.

RESPONSIBILITIES

The committee will carry out the following responsibilities in accordance with IIA Standards:

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 consider whether they are complete and consistent with information known to committee members and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before they are released, 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, KDE Redbook, and Single Audit Requirements of 2 CFR 200.
- 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

- Understand the effectiveness of the district's internal control system, including information technology security and control based on information from management and auditors.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, along with management's responses.
- Monitor annually management follow-up related to significant findings and recommendations.

Internal Audit

- Approve the annual audit plan and all major changes to the plan.
- Review the internal audit activity's performance relative to its plan.
- Review the internal auditors' work as it relates to the development of the Audit Universe and Risk Assessment related 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 budget for the internal audit function.
- On a regular basis, meet separately with the internal auditors to discuss any matters that the committee or internal audit firm believes should be discussed privately.
- Provide a summary report annually to the committee and subsequently to the FCPS Board concerning regular, internal, whistleblower, and special request audits.

External Audit (Risk Management)

- Review the external auditors' proposed audit scope and approach, including coordination of audit efforts 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 the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the school district, including non-audit financial related services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters the committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the District Compliance Hotline to ensure compliance with laws, regulations, and District policies and procedures. Also, review instances of noncompliance and actions taken with the committee to the extent that the findings are not confidential.
- Review the process for communicating the code of conduct to district personnel and for monitoring compliance therewith.
- Obtain regular updates from management and district legal counsel regarding compliance matters.
- Provide a summary report annually to the committee and subsequently to the FCPS Board concerning regular, internal, whistleblower, and special request 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.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of education.
- Institute and oversee special investigations as needed involving management, which is financial in nature.
- 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' participation on a regular basis.
- Each committee member shall sign a confidentiality agreement.

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, Deputy Superintendent, and Executive Director of Financial Accounting and Benefit Services must certify that:

- they have reviewed the report,
- the report does not contain any misrepresentation,
- the financial information in the report is fairly presented,
- they are responsible for "disclosure controls and procedures"
- they have reported any deficiencies in internal controls and fraud involving management to the audit committee, and
- 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, Deputy Superintendent, and Executive Director of Financial Accounting and Benefit Services 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.