



Audit Committee Charter

Purpose

The Audit Committee (AC) is responsible for assuring that the University of Memphis' (University) organizational culture, capabilities, systems and processes are appropriate to protect the financial health and the reputation of the University in all of the areas enumerated below. More particularly, the AC will review the financial reporting processes, the system of internal controls, the audit activities (external and internal), management's risk assessment, and the University's process for monitoring and ensuring compliance with laws and regulations.

The AC will regularly update the full Board of Trustees (Board) about AC activities and key issues presided over by the Committee.

Roles and Responsibilities

Financial Reporting

- Review audited financial statements with state auditors, and determine whether the statements are complete and consistent with the information known to committee members.
- Review with the University's general counsel any legal matters that could have a significant impact on the University's financial statements.
- Review with management and state auditors any significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the University's financial statements.

External Audit

- Meet, as needed, with external auditors to discuss any matters that the AC or auditors deem appropriate.
- Ensure that any findings and recommendations made by the external auditors are received, discussed, and acted upon in an appropriate and timely manner.
- Review the results of the external auditors' examinations and any other matters related to the conduct of the audits, and report to the Board the auditors' findings and recommendations.



Internal Audit

- Review and approve the annual audit plan for the University, including management's request for unplanned audits.
- Review the result of the year's work with the Chief Audit Executive, and receive and review any other work prepared by the Chief Audit Executive for the University.
- Receive and review reports, the results of internal audits performed, and any other work prepared by Internal Audit.
- Ensure that the University has the appropriate structure, staffing and capability to carry out its internal audit responsibilities.
- Ensure that the internal audit department has direct and unrestricted access to the chair and other committee members. Approve the Internal Audit budget.
- Appoint, replace, or dismiss the Chief Audit Executive.
- Review, approve, and update the Internal Audit charter annually or more frequent if necessary.

Internal Controls, Risk, and Compliance

- Ensure that a system is in place, and being followed, to review and maintain compliance with the University's internal control structure.
- Ensure that a process exists for assessing, reporting, and investigating illegal, fraudulent, wasteful, or improper activity at the University, including a confidential reporting mechanism.
- Determine whether internal control recommendations made by internal and external auditors have been implemented by management.
- Review University policies and procedures regarding employee conduct.
- Review the University's conflict of interest policy to ensure that the guidelines are comprehensive, that the term "conflict of interest" is clearly defined, that annual signoff is required, and that it contains procedures for adequate resolution and documentation of potential conflicts.
- Review the University's process for monitoring compliance with laws and regulations.
- Review the University's risk assessment plan.
- Regularly obtain updates from management, General Counsel and Internal Audit regarding significant changes in legal and compliance issues.
- Review and assess the adequacy of the AC's charter annually, requesting Board approval for proposed changes.



Membership

The AC shall be composed of no less than three members who shall be appointed by the Board according to Board Bylaws. The Board shall appoint the AC chair. The Board may select one certified public accountant or other qualified citizen who is not a member of the Board to serve on the AC. The external member must have extensive accounting, auditing, or financial management expertise, and may not serve as the chair. The term of appointment is two years, and the chair may not serve more than two consecutive two-year terms as chair. All members of the AC shall be generally knowledgeable of financial management and auditing matters. At all times, the AC shall have at least one member with extensive accounting, financial or management expertise.

Each member of the AC shall be free from relationship that would give the appearance of a conflict or that would interfere with his or her exercise of independent judgment.

Education

The University's senior management and Internal Audit Department are responsible for providing the AC with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the AC to maintain appropriate financial and compliance literacy.

Meetings

The AC shall meet at least once quarterly, in conjunction with regular meetings of the Board, or at any other time upon the call of the AC chair. The AC will invite members of management, auditors or others to attend and provide pertinent information. Meeting agendas will be provided to members in advance along with proper briefing materials. Minutes will be prepared. The AC shall also meet at the request of the Comptroller of the Treasury.

A majority of the members of the AC shall constitute a quorum for the transaction of business.