

TRA Audit Committee Charter

I. Introduction and Background

The Audit Committee plays an important role in providing oversight of the organization's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Audit Committee performs its role by providing independent oversight to the Board of Trustees.

The Audit Committee and Internal Audit Charter were established in 2009 in one document. The charter, which governs the work of the committee, was last reviewed and updated In November 2017. In November 2018, the Internal Audit Charter was revised into two documents, the TRA Audit Committee Charter and the TRA Internal Audit Charter. The Audit Committee Charter must be reviewed at least annually and proposed changes submitted by the chief audit executive. The Audit Committee Charter must be approved annually by the TRA Audit Committee and TRA Board of Trustees.

II. Purpose

The purpose of the Audit Committee is to provide a structured, systematic oversight of TRA's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of TRA's initiatives for:

- a. Values and ethics.
- b. Governance structure.
- c. Risk management.
- d. Internal control framework.
- e. Oversight of the internal audit activity.

In broad terms, the Audit Committee reviews each of the items noted above and provides the Board of Trustees with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

III. Authority

The Audit Committee charter sets out the authority of the Audit Committee to carry out the responsibilities established for it by the Board of Trustees as articulated within the Audit Committee Charter.

In discharging its responsibilities, the Audit Committee will have unrestricted access to members of management, employees, and information it considers necessary to discharge its duties. TRA's management and staff will cooperate with audit committee requests. The Committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or Chief Audit Executive (CAE) will determine a resolution of the matter.

The Audit Committee may engagement independent counsel and/or other advisors it deems necessary to carry out its duties. The Audit Committee will oversee and approve all services performed by the internal audit activity.

IV. Composition of the Audit Committee

The Audit Committee will consist of five members from the Board of Trustees:

- President of the Board of Trustees;
- Vice-President of the Board of Trustees;
- Member appointed by the Board of Trustees;
- Representative from Minnesota Management and Budget; and
- Representative from Department of Education.

Members are appointed at the June Board of Trustee meeting and serve an annual term beginning July 1. The President of the Board of Trustees will appoint both the Chair of the Audit Committee (who is an elected Board member) and the Vice-Chair of the Audit Committee.

See Appendix A for current and past membership.

The Audit Committee should have at least one member who understands financial statements and generally accepted accounting principles (GAAP); can assess accounting principles; has experience with preparing, auditing, and analyzing financial statements; and understands internal controls and audit committee functions.

The MMB representative may be someone other than the MMB representative for the Board of Trustees. In that event, the TRA Board President will make a recommendation which must be approved by the Board of Trustees.

See Appendix B for Audit Committee composition.

V. Operational Principles

Audit Committee Values

The Audit Committee will conduct itself in accordance with the code of values and ethics of TRA and the State of Minnesota.

Communications

The Audit Committee expects that all communication with TRA management and staff as well as with any external assurance providers will be direct, open, and complete.

Meeting Agenda

The CAE will establish draft agendas for audit committee meetings in consultation with TRA senior management and the audit committee chair. The audit committee chair will approve all agendas in advance of a committee meeting.

Meetings

The Audit Committee will meet at least four times each year. The meeting schedule will be set at the June Board of Trustees meeting. The Audit Committee will meet with the Executive Director, Deputy Executive Director, Chief Financial Officer, Chief Benefits and Operations Officer, Legislative/Legal Director, and Chief Audit Executive.

Executive Sessions

The Audit Committee meetings will include the opportunity for a session with only the committee members and CAE present. The CAE or the external auditor may request to meet with the Audit Committee if there are material weaknesses involving the office of the Executive Director or any other part of the organization or if the Executive Director has failed to respond to recommendations of either the CAE or external auditors.

Information Requirements

The Audit Committee will establish and communicate its requirements for communication which will include the nature, extent, and timing of information. Information will be provided to the audit committee at least one week prior to each audit committee meeting.

Conflicts of Interest

Audit committee members should adhere to the TRA code of conduct and any values and ethics established by TRA. It is the responsibility of Audit Committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.

Orientation and Training

Audit Committee members will receive formal orientation training on the purpose and mandate of the committee and on TRA's objectives.

VI. Responsibilities

Values and Ethics

To obtain reasonable assurance with respect to TRA's values and ethics practices, the Audit Committee will:

- Review and assess the policies, procedures, and practices established by the Board of Trustees to monitor conformance with its code of conduct and ethical policies by all TRA staff.
- Review the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identity and deal with any legal or ethical violations.

Risk Management

To obtain reasonable assurance with respect to TRA's risk management practices, the Audit Committee will:

- Consider the effectiveness of TRA's data privacy and risk management systems, including risks of information technology and security systems.
- Obtain from the CAE an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process.
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board of Trustees.
- Review the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

Fraud

To obtain reasonable assurance with respect to TRA's procedures for the prevention and detection of fraud, the Audit Committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud.

- Challenge management and internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of TRA's controls in responding to risks within TRA's governance, operations, and information systems, the Audit Committee will:

- Consider the effectiveness of TRA's control framework, including information technology security and control.

Compliance

The Audit Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the observations and conclusions of internal audit and external auditors.
- Review the process for communicating the code of conduct to TRA's personnel and for monitoring compliance.
- Obtain regular updates from management and TRA's legal counsel regarding compliance matters.

VII. Oversight of the Internal Audit Activity

To obtain reasonable assurance with respect to work of the internal audit activity, the Audit Committee will provide oversight related to:

Internal Audit Charter and Resources

- Review and approve the internal audit charter at least annually to ensure that it accurately reflects the internal audit activity's purpose, authority, independence and objectivity, scope of activities, responsibilities, and quality assurance program.

Chief Audit Executive Performance

- Advise the Board of Trustees regarding the qualifications and recruitment, hiring, and removal of the CAE.
- Provide input to management related to evaluating the performance of the CAE.

Internal Audit Strategy and Plan

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes.
- Review and approve proposed risk-based internal audit plan and review internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

Internal Audit Engagement and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's progress to address the results of internal audit engagements.

- Inquire of the CAE whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

Standards Conformance

- Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the audit committee.
- Ensure that the internal audit activity has an external quality assurance review every three years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the Board of Trustees about any recommendations for the continuous improvement of the internal audit activity.

Other Responsibilities

In addition, the Audit Committee will:

- Perform other activities related to the charter as requested by the Board of Trustees.
- Regularly evaluate its performance and that of its individual members.

Reporting on Audit Committee Performance

The Audit Committee will report to the Board of Trustees annually, summarizing the committee's activities and recommendations. The report may be delivered during an Audit Committee meeting attended by the Board or during a regularly scheduled meeting of the Board.

The report should include:

- A summary of the work the audit committee performed to fully discharge its responsibility during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organization.
- Provide information required, if any, by new or emerging governance developments.
- The committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.

Appendix A – Audit Committee Composition

Effective July 1, 2017

- Chair – Marshall Thompson (appointed member of the Board of Trustees)
- Vice Chair – Mary Broderick (Vice-President of the Board of Trustees)
- Member – Denise Anderson (Commissioner of Education member)
- Member – Angelina Barnes (Commissioner of Minnesota Management and Budget member) (appointed by TRA Board of Trustees as MMB representative). Through August 2018.
- Member – Martha Lee Zins (President of the Board of Trustees)

July 1, 2016 – June 30, 2017

- Chair – Marshall Thompson (appointed member of the Board of Trustees)
- Vice Chair – Mary Broderick (Vice-President of the Board of Trustees)
- Member – Denise Anderson (Commissioner of Education member)
- Member – Jeanine Kuwik (Commissioner of Minnesota Management and Budget member) (appointed by TRA Board of Trustees as MMB representative)
- Member – Martha Lee Zins (President of the Board of Trustees)

July 1, 2015 – June 30, 2016

- Chair – Mary Supple (appointed member of the Board of Trustees)
- Vice Chair – Jeanine Kuwik (Commissioner of Minnesota Management and Budget member) (appointed by TRA Board of Trustees as MMB representative)
- Member – Denise Anderson (Commissioner of Education member)
- Member - Mary Broderick (Vice-President of the Board of Trustees)
- Member – Marti Zins (President of the Board of Trustees)

July 1, 2011 – June 30, 2015

- Chair – Mary Supple (appointed member of the Board of Trustees)
- Vice Chair – Jeanine Kuwik (Commissioner of Minnesota Management and Budget member) (appointed by TRA Board of Trustees as MMB representative)
- Member – Rose Hermodson (Commissioner of Education member)
- Member - Mary Broderick (Vice-President of the Board of Trustees)
- Member – Marti Zins (President of the Board of Trustees)

July 1, 2009 – June 30, 2011

- Chair - Richard Gendreau (appointed member of the Board of Trustees)
- Vice Chair – Brian Steeves (Commissioner of Minnesota Management and Budget member)
- Member - Leslie Hinz (Commissioner of Education member)
- Member - Mary Broderick (Vice-President of the Board of Trustees)
- Member – Marti Zins (President of the Board of Trustees)

Appendix B – Charter Version History

Changes / Action	Audit Committee Approval	Board of Trustees Approval
Combined charter separated into Audit Committee and Internal Audit charters.	11/13/2018	11/14/2018

Note: Changes and Actions to the prior combined TRA Internal Audit Charter can be found in Appendix B of the version approved November 14, 2017 by the Audit Committee and December 13, 2017 by the Board of Trustees.