

**UNIVERSITY OF THE VIRGIN ISLANDS  
AUDIT COMMITTEE**

Resolution ratifying the adoption of the University of the Virgin Islands' Audit Committee Charter

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WHEREAS, Article V Section 4 of the Bylaws of the University of the Virgin Islands states that the first order of business of the Audit Committee shall be the enactment of an Audit Committee Charter, and

WHEREAS, on June 1, 2010, the Audit Committee reviewed and approved for ratification by the Board of Trustees the Audit Committee Charter incorporated into this resolution as Exhibit "A".

**NOW THEREFORE BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY AS FOLLOWS:**

- A. That, for the purpose of carrying out the mandate of the bylaws of the University of the Virgin Islands, the Audit Committee Charter is hereby adopted.
- B. This resolution shall become effective June 12, 2010.

**CERTIFICATION**

The Undersigned do hereby certify that the foregoing is a true and exact copy of a resolution of the Board of Trustees of the University of the Virgin Islands adopted at its meeting on Saturday, June 12, 2010 as recorded in said minutes.



June 12, 2010

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Secretary of the Board

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Date

## **EXHIBIT A**

# **UNIVERSITY OF THE VIRGIN ISLANDS BOARD OF TRUSTEES AUDIT COMMITTEE CHARTER**

### **PURPOSE**

The Audit Committee of the Board of Trustees of the University of the Virgin Islands (“the University”) will assist the Board in fulfilling its oversight responsibilities for the following activities:

- Ensuring the integrity of the University’s annual financial statements;
- The University’s compliance with legal and regulatory requirements;
- Oversight and direction of the internal audit function;
- Coordination of engagements with the external auditor whom the committee may employ, and engagements with the internal, local and federal auditors;
- Oversight of the University’s internal control structure and management practices;
- Knowledge of audit activities, informing the Board of Trustees and making recommendations when necessary, and other duties as directed by the Board of Trustees; and
- Monitoring of compliance with University’s policies and procedures.

### **AUTHORITY**

The Audit Committee has authority to conduct or authorize investigations into any matter within its scope of responsibility. The Committee is empowered to:

- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee’s requests – or external parties.
- Meet with the University officials, external and internal auditors, general counsel, or others as necessary.
- Establish subcommittees and delegate authority to subcommittees, provided that such decisions are reported to the Board of Trustees at its next scheduled meeting
- Oversee the internal audit function of the University, which will report directly to the Audit Committee.
- Retain persons, including but not limited to independent auditors, counsel or other consultants, having special competence as necessary to assist the Committee in fulfilling its responsibility.

## **MEMBERSHIP**

The Audit Committee shall be composed of two outside members who are qualified financial experts, and three members of the Board, at least one of whom is a qualified financial expert. One of the Board members who is a qualified financial expert serving as a member of the Audit Committee shall serve as Audit Committee Chair, and one of the other Board members serving as a member of the Audit Committee shall serve as the Committee's Vice Chair. The duties of the Audit Committee is in the charter that it enacts as its first order of business, having due regard for appropriate precedents and guidelines, which charter is subject to ratification by the Board.

## **RESPONSIBILITIES**

### **Independence:**

The Audit Committee is to be the Board of Trustee's principle agent to assure the independence of the University's internal and external auditors, the integrity of its management and the adequacy of its disclosures.

### **Financial Statements:**

The Committee shall -

Review with the internal, external, local or federal auditors the scope and results of their examination of the University's annual financial statements and any other matters related to the conduct of the audit, which should be communicated to the Committee.

Review with management and general counsel of the University any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.

Resolve material differences between its management and internal, external, local, and federal auditors regarding financial reporting.

### **Internal Control:**

The Committee shall -

Review the effectiveness of the University's internal control system, including information technology security and control.

Understand the scope of the internal and external auditor's review of internal controls over financial reporting.

Review management's and auditors risk assessment or exposures facing the University.

Ensure that procedures exist for the receipt, retention, investigation and treatment of complaints regarding fraud, waste, and accounting abuse. Review any submissions that may have been received, the status and resolution, if one has been reached.

Periodically review and recommend updates to the University's conflict of interest policy, including its scope, definitions, and procedures for identifying, documenting and addressing potential and actual conflicts.

Review the University's process for monitoring compliance with laws and regulations.

Have familiarity with all critical accounting and reporting principles and practices applied by the University in preparing its financial statements. Further, the Committee is to make, or cause to be made, all necessary inquiries concerning established standards of conduct and performance. Review deviations from standards of conduct, established accounting, reporting principles and or practices. This review should include any unique transactions and financial relationships, if any.

Review with the University's management, independent auditors and any department of the University, the general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.

**Internal Audit:**

The President shall appoint a qualified Internal Auditor who will be accountable administratively to the President and in all other respects will report and be accountable to the Audit Committee.

The appointment and removal of the Internal Auditor shall require advance consultation and the consent of the Audit Committee.

The Audit Committee shall –

- Ensure that the Internal Auditor's office has direct and unrestricted access to the Audit Committee Chair and other committee-members.
- Review the internal audit reporting relationship to assure not only that independence is fostered, but that adequate resources in terms of staff and budget are provided to enable the office to perform its responsibilities effectively.
- Review and approve the appointment, reassignment, or dismissal of the Internal Auditor.
- Review and approve the charter for Internal Audit.
- Review the annual audit plan and results of the year's work with the Internal Auditor. Changes to the plan, including management requests for unplanned assignments, should also be reviewed.
- Receive and review reports and other work prepared by Internal Audit that highlight and identify, if any, significant findings.

The Duties, Nature and Purpose of Internal Auditor are as follows:

I. DUTY, NATURE AND PURPOSE OF INTERNAL AUDIT

Internal Audit is an independent appraisal activity. It is a process intended to measure:

- the quality of operating systems, compared with established standards;
- the adequacy and effectiveness of the University's internal controls; and
- the efficiencies of common processes within the organization.

The goals of an audit are to determine whether:

- resources are used effectively and economically;
- the University's objectives are effectively achieved;
- risks to the University are identified, assessed and mitigated as necessary;
- operating information is accurate, timely and reliable;
- external regulations and internal policies and procedures are followed; and
- financial information is accurate, timely and reliable.

II. INTERNAL CONTROL DEFINITION

Internal Control is a process, affected by University's Board of Trustees and the Audit Committee, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- compliance with applicable laws and regulations; and
- reliability of operating financial reporting.

III. INTERNAL AUDIT AUTHORITY AND RESPONSIBILITY

The scope of internal audit will include accounting and financial matters as well as non-accounting and non-financial matters. All university activities are subject to audit.

The Internal Auditor shall have full, free and unrestricted access to all records (manual and electronic), personnel, and physical properties relevant to performing audits.

The Internal Auditor is responsible for serving the University in a manner consistent with the Standards for Professional Practice of Internal Auditing documentation which he (or she) is reviewing.

Internal Auditor has no direct responsibility or authority over any of the University's operations. Therefore, Internal Audit activities do not relieve anyone in any area being audited of any of their assigned responsibilities, particularly, management of its responsibility for assuring and maintaining an effective system of internal controls.

Objectivity is essential to a successful audit. The Internal Auditor will not develop accounting procedures, prepare records or accounting entries, or engage in activities that would normally be reviewed and appraised by Internal Auditor. Internal Auditor may, however, help evaluate internal control systems as these are

being developed, so long as the Internal Auditor's participation does not compromise his future objectivity.

Internal Auditor's specific tasks include the following:

- Develop a Risk Assessment that encompasses all areas of the University's operations, and review assessment annually for updates. Present Risk Assessment to the Audit Committee at least annually.
- Review and evaluate the efficiency and effectiveness of accounting, financial, administrative, environmental and operating controls and procedures of the University.
- Review the effectiveness of processes used to develop financial operating data and related reports.
- Review University records to determine compliance with procedures and appropriate laws and regulations.
- Conduct special examination as required, including matters involving conflicts of interest or fraudulent transactions.
- Coordinate internal audit work with the work of the external auditors as appropriate.
- Issue written Audit Reports, including recommendations to correct deficiencies or improve the effectiveness of the University's operations.
- Provide advisory or consulting services to management of the University, as appropriate.
- Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are carried out as planned.

#### IV. THE AUDIT PROCESS, AUDIT FINDINGS AND RECOMMENDATIONS

The audit process includes the following:

- Advise management in advance of proposed audits, unless nature of audit dictates otherwise.
- Conduct audits as required and, when appropriate, hold meetings with management to discuss preliminary findings and recommendations.
- At completion of an audit, prepare a draft audit report and give such document to the auditee and conduct a closing meeting to discuss: findings and recommendations supported by facts and data obtained during the audit; an overall conclusion, where appropriate; agree upon report issue-date within two weeks from completion of fieldwork/closing meeting from receipts of management responses.
- Prepares, reviews, and approves final audit report for distribution to:

- Responsible Senior Officers;
- Senior Executive Management, as appropriate;
- Department Manager of audited department or operation.
- Communicate audit findings to the Audit Committee and the external auditors.
- Follow-up on open outstanding audit findings.

V. UNIVERSITY DEPARTMENT RESPONSIBILITY

The Department Manager or person in charge of the department or operation being audited, with authority for implementing corrective action, is responsible for the following:

- Coordinate with Internal Audit to agree on the scope and duration (timing) of the audit.
- Provide pertinent and/or requested information in a timely manner to the Internal Audit team performing the audit.
- Attend opening, closing and other follow-up meetings and discussions with the Internal Audit team to expedite the audit process and ensure effective communication occurs.
- Within 2 weeks of receiving the draft audit summary of findings, provide a written response to each issue is to be submitted to Internal Audit. The response must have a responsible party and a reasonable completion date identified.
- Within 4 weeks, the issue must be corrected or a corrective action plan developed with reasonable completion dates, unless deemed cost prohibitive or deemed as an acceptable risk item by management.
- Within 12 weeks (3 months), all items should be closed. If an item is expected to take longer, a corrective action plan that includes an anticipated completion date must be communicated to the Audit Committee for review and ultimate approval or denial.
- If an action to close an item is deemed cost prohibitive, or if management accepts the risk associated with not implementing an action to close an item, management must state its acceptance thereof in the management response of the report. The items will be considered 'closed' and will be communicated to the Audit Committee for review an ultimate approval or denial.

VI. CORRECTIVE ACTION FOLLOW UP

Internal Audit will evaluate the appropriateness of the action taken or planned by management to correct reported deficiencies and will follow-up with management on action considered inadequate until there is a satisfactory resolution.

**External Auditors:**

The Audit Committee will recommend external auditors that would be engaged by the University and establish and approve audit fees and pre-approve any non-audit services. Participate in an entrance conference with the external auditors.

Meet regularly with the external auditors to discuss any matters that the committee or auditors deem appropriate.

Review with external auditors their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the University's accounting principles and underlying estimates.

Review all material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences. Present the external auditors' conclusion(s) to the Board of Trustees.

**COMMUNICATIONS AND REPORTING:**

- Provide an open avenue of communications among internal audit, external audit, local and federal auditors, senior management and the Board of Trustees.
- Report regularly to the Board of Trustees about committee activities and issues that arise with such recommendations, as the Committee deems appropriate.