

Audit Committee Charter Board Governance 6.0

Approved: January 25, 2007
Revised Date: June 27, 2014

A. ORGANIZATION

The Board of Trustees of the Louisiana State Employees' Retirement System (LASERS) hereby constitutes and establishes an audit committee with authority, responsibility, and specific duties as described below.

B. STATEMENT OF PURPOSE

The purpose of the audit committee shall be to assist the board of trustees in fulfilling its oversight responsibilities for (1) the integrity of LASERS financial statements, (2) LASERS compliance with legal and regulatory requirements and with LASERS approved policies, (3) the independent auditor's qualifications and independence, (4) the performance of LASERS internal audit function and independent auditors, (5) the system of risk management, (6) the system of internal control, and (7) special investigations and a fraud reporting mechanism.

C. AUTHORITY

1. The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:
 - a. oversee the work of the Audit Services Division (this division will report functionally to the audit committee);
 - b. oversee the work of the public accounting firm employed by the Louisiana Legislative Auditor to conduct the annual external audit (this firm will report directly to the audit committee);
 - c. resolve any disagreements between management and the external auditor and/or internal auditor regarding financial reporting;
 - d. pre-approve all auditing and permitted non-audit services performed by LASERS external audit firm;
 - e. retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation;
 - f. seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests, or with parties working for the audit committee;
 - g. meet with LASERS management, internal auditors, external auditors, or outside counsel, as necessary;
 - h. delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting;

- i. report to the board on the activities, observations, and recommendations of the audit committee; and
- j. ensure that contracts with third party providers contain appropriate audit language.

D. COMPOSITION

1. The audit committee will consist of at least three trustees who are independent and possess financial literacy skills sufficient to understand the financial statements of LASERS. These trustees are to be free from any relationship that, in the opinion of the board, would interfere with the exercise of his or her independent judgment as a member of the audit committee and should recognize the significance of the audit committee's responsibilities.
2. The terms of appointment will be arranged so that continuity is maintained and, at the same time, new members can bring fresh perspectives to the work of the audit committee.

E. MEETINGS AND MINUTES

1. The audit committee is to meet at least quarterly. The minutes of each meeting are to be approved at subsequent meetings and sent to the board.
2. The audit director, or designee, shall serve as the staff representative to the committee. The audit committee chairman shall meet no less than one time with the independent accountant separately, without management, during the year. Individual members of the audit committee shall afford the independent accountants and the audit director an opportunity to meet, when needed. Requests for such a meeting may be made through the committee chair, with or without the knowledge of management.

F. RESPONSIBILITIES AND DUTIES

1. The audit committee is to assist the board in fulfilling its fiduciary responsibilities as they relate to accounting policies and reporting practices, the quality and sufficiency of audits, and the system of internal control. The audit committee is expected to be proactive and inquisitive and to provide an open avenue for communications between the board of trustees, the independent accountants, the audit director, and LASERS management. The opportunity for the audit director to meet with the entire board of trustees as needed, however, is not to be restricted. The audit director, or designee, shall meet with the audit committee chair as needed and shall attend all audit committee meetings.
2. Responsibilities and duties to be carried out by the audit committee:
 - a. Review the audit director's performance evaluation of the external auditors, including the degree of audit coordination, and the overall audit coverage. Any serious difficulties or disputes that management encountered during the audit should be duly noted. This committee shall also review the recommendation for the selection, retention, or discharge of the external auditors.
 - b. Review and update the Audit Services Division Charter, which specifies the auditor's reporting relationship and the Audit Committee Charter at least once every three (3) years.

- c. Confirm annually that all of the responsibilities outlined in the Audit Committee and the Audit Services Division Charters have been carried out.
- d. Obtain and review the quality assurance report for the Audit Services Division at least once every five years.
- e. The audit committee, in consultation with the executive director, will recommend to the board of trustees the appointment and removal of the audit director of the Audit Services Division.
- f. Review and provide input into the performance of the audit director and Audit Services Division on an annual basis.
- g. Review the Audit Services Division to determine compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, to include confirming and assuring the objectivity of the internal auditor.
- h. Review the annual audit schedule, and any changes required in the planned scope of the audit plan. The committee should inquire as to the extent to which the planned audit scope can be relied upon to detect fraud or weakness in internal controls. The committee shall review and approve any significant subsequent changes in the audit plan.
- i. Provide the policy and framework for :
 - effective risk management and mechanisms for periodic assessment of the risk management processes, including risks of the information systems, and risks of reliance upon significant vendors and consultants;
 - an effective internal control structure and mechanisms for periodic assessment of internal controls, including information systems controls, and internal control over purchases from significant vendors and consultants;
 - compliance with laws and regulations and LASERS approved policies and mechanisms for periodic assessment of compliance, including compliance by significant vendors and consultants.
- j. Review the resources made available to the division including staffing.
- k. Review a summary of observations from completed internal audits and consulting projects and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plans. The committee should also receive semi-annual status reports identifying observations and recommendations made by the Audit Services Division, current status, and management's corrective action as a result of internal audits. The audit director will also present an annual report on the closed observations and risks management has decided to accept. In addition, the committee should review the implementation of previous audit recommendations.
- l. Review with LASERS management and the audit director, LASERS general policies and procedures to reasonably assure the adequacy of internal controls as it relates to individual audits.
- m. Monitor LASERS compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) on accounting irregularities or on

any fraudulent acts. The committee should investigate any perceived or actual conflicts of interest.

- n. Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information.
- o. Evaluate the performance measures of the auditing division annually.
- p. Regularly update the board of trustees about committee activities and make appropriate recommendations. The audit committee shall apprise the board through minutes about significant developments, which occurred in the course of performing the committee's duties.
- q. Institute and oversee special investigations, as needed.
- r. Ensure there is an appropriate mechanism for reporting any fraud, noncompliance, and/or inappropriate activities to LASERS and that items reported are investigated.

G. POLICY REVIEW

The board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

H. HISTORY

This charter was adopted by the board on January 25, 2007.

This charter was revised by the board on March 23, 2007.

This charter was revised by the board on January 25, 2008.

This charter was revised by the board on April 23, 2010.

This charter was revised by the board on June 24, 2011.

This charter was revised by the board on June 27, 2014.