



## PURDUE UNIVERSITY BOARD OF TRUSTEES

### AUDIT AND ENTERPRISE RISK COMMITTEE

#### CHARTER

Draft 4 | November 11, 2020

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#### I. MISSION AND PURPOSE

The mission and purpose of the Audit and Enterprise Risk Committee (“Committee”) is to assist the Board of Trustees (the “Board”) of The Trustees of Purdue University (the “University”) in fulfilling its responsibility for oversight of (i) the integrity of the University’s financial statements and related reporting processes, (ii) the establishment and operation of internal control functions, including an independent internal audit office consistent with University bylaws (the “Bylaws”), (iii) compliance with applicable laws, regulations and University policies, including but not limited to those pertaining to ethical conduct, and (iv) mechanisms maintained by the University to monitor, manage and mitigate risks associated with its education, research and engagement missions.

Consistent with this mission and purpose, the Committee will discharge the responsibilities and duties described in Section IV below.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the University, and the Committee has the authority to engage and determine funding for independent counsel and other advisors as it determines necessary to carry out its duties and as permitted by law.

Although it does not plan or conduct audits or independently verify that the University's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, the Committee receives regular reports from the University’s auditors and will annually review and approve the University’s audit plan for the coming year and the consolidated financial statements for the preceding fiscal year.

#### II. COMPOSITION

The Committee shall be composed of three or more trustees as determined by the Board. All members of the committee shall be able to read and understand financial statements at the time of their appointment.

The members of the Committee shall be determined by the Board. The Committee Chair shall be selected by the Board’s Chair.

#### III. MEETINGS

The Committee shall meet at least two times annually and may meet more frequently as circumstances dictate, whether in person or by means of electronic communication pursuant to the Board’s Electronic Meeting Policy. At each of the two aforementioned semi-annual meetings, the

Committee will meet with the internal audit function, the external auditor and amongst themselves in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

#### **IV. RESPONSIBILITIES AND DUTIES**

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall tone for quality financial reporting, accounting, sound business risk practices and ethical behavior. The following shall be the principal responsibilities and duties of the Committee:

##### ***General***

1. Serve as an independent and objective body to monitor the University's financial reporting process and internal control system.
2. Discuss with University administration, the internal auditors and the external auditor the adequacy and effectiveness of the accounting and financial controls; the policies and procedures to assess, monitor and manage risk; the investment policies, practices and programs; and the legal and ethical compliance programs.
3. Annually review the University's enterprise risk profile and receive and review an annual report on the University administration's implementation and maintenance of an appropriate enterprise-wide risk management mechanism. In this connection, the Committee will:
  - a. Provide oversight of significant risk exposures and control issues, including fraud risks, governance issues, and other matters requested by the Board or brought to the Committee's attention by University administration or the Director of Audits, and
  - b. Review and provide advice on the risk management processes established and maintained by the University and receive periodic confirmation from the internal audit function that they are operating as intended.
4. Perform other activities consistent with this charter and the Bylaws that the Board or the Committee determines to be necessary or appropriate from time to time.

##### ***Internal Audit***

5. Oversee the work and other activities of the University's internal audit function (including but not limited to its maintenance of a confidential, anonymous reporting system in accordance with the Bylaws), periodically review its organizational structure, and ensure its organizational independence via a direct reporting line to the Board.
6. Discuss with the administration and the external auditor the status of internal control recommendations made by the external auditor and the internal audit function. Review the internal reports prepared by the internal audit function.
7. Annually review and recommend changes, if any, to the internal audit charter.

8. Periodically review with the Director of Audits, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the work of the internal audit function.
9. Review and concur in the appointment, replacement or dismissal of the Director of Audits.

#### ***Independent Auditor***

10. Facilitate the oversight and audit responsibilities of the external auditor.
11. Review with the administration and the external auditor critical accounting and reporting principles, practices and procedures selected and applied by the University in preparing its financial documents.
12. Review major changes to the University's accounting principles and practices as suggested by the external auditor or the administration. Review all material alternative treatments of financial information within generally accepted accounting principles that have been discussed between the external auditor and the administration, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the external auditor.
13. Review separately with each of the University administration, the external auditor and the internal audit function any significant difficulties or disagreements encountered during the course of the annual audit, including any restrictions on the scope of work or access to required information.

#### ***Insurance and Risk Management Fund Programs***

14. Review with the University administration the various third party insurance and self-insurance programs that are maintained to cover claims and losses associated with the operation of the University, its facilities and personnel, and provide assurance to the Board of their adequacy and cost effectiveness.

#### ***Data Functionality and Security***

15. Review and evaluate practices and procedures designed to maintain the functionality and security of University-wide data and information technology resources.

#### ***Compliance***

16. Encourage continuous improvement of, and set the tone for an environment that fosters adherence to, University policies, procedures and practices designed to ensure compliance with laws and regulations pertaining to the University and its operations.

#### ***Charter Review***

17. The Committee shall review this charter at least annually and update this charter as deemed appropriate.