

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

**Date of Meeting:** October 13, 2009

**Agenda Item:** Discuss the Roles and Responsibilities of the Audit Committee

- Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring
- Information

**Cite policy requirement, or explain why item is on the Board agenda:**

Board Policy 1A.2, Part 5, Subpart E stipulates that the audit committee members “receive training annually on their auditing and oversight responsibilities.”

**Scheduled Presenter(s):**

John Asmussen, Executive Director, Office of Internal Auditing

**Outline of Key Points/Policy Issues:**

- Highlights key elements of audited financial statements that audit committee members are scheduled review at its November 2009 meeting.

**Background Information:**

- Audit committee members will be provided with final draft copies of the financial statements about one week prior to the November committee meeting.

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>INFORMATION ITEM</b>
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<b>DISCUSS THE ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE</b>
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**BACKGROUND**

The audit committee is responsible for overseeing the complex, technical work of external and internal auditing. Board Policy 1A.2, Part 5, Subpart E requires annual training for audit committee members to prepare them for carrying out their oversight responsibilities. This training session is intended to prepare members for the process of reviewing the audited financial statements. In November 2009, the audit committee will review the audited financial statements for the MnSCU system, its Revenue Fund, and 12 of the largest colleges and universities. The attached checklist is intended to facilitate the review of those financial statements.

*Date Presented to the Board of Trustee: October 13, 2008*

## Financial Statement Audits Checklist

### Introduction

One of the most important responsibilities of the audit committee is to serve as “gatekeeper” for the release of financial statements. These financial statements are used by fiscal analysts that evaluate the credit worthiness of the State of Minnesota and the Minnesota State Colleges and Universities. Other users include potential donors, legislators, faculty and student unions, and other interested stakeholders. This checklist is designed to highlight the important aspects of the audited financial statements to be reviewed.

- I. Reports from the external auditor.** These reports consist of the Independent Auditor’s Report (which precedes the financial statements) and the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards* (which follows the notes to the financial statements). External auditors also may issue a separate letter to the committee that provides findings and recommendations related to internal controls and compliance.

**YES NO**

- |                          |                          |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Independent Auditor’s Report</u> cite any departures from Generally Accepted Accounting Principles?                            |
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Independent Auditor’s Report</u> cite any limitation on applying Generally Accepted Auditing Standards?                        |
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Report on Internal Control and Compliance...</u> cite any exceptions noted as material weaknesses or significant deficiencies? |
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Report on Internal Control and Compliance...</u> cite any instances of non-compliance?   |
| <input type="checkbox"/> | <input type="checkbox"/> | Has the auditor communicated any disagreements with management or difficulties encountered during the audit?                               |
| <input type="checkbox"/> | <input type="checkbox"/> | Has the auditor communicated any significant audit adjustments made to the financial statements?   |

If any there is an affirmative answer to any of these questions, more information must be obtained to evaluate the consequences of the issue.

**II. Basic Financial Statements and Trends.** The basic financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. In addition, a Management Discussion & Analysis (MD&A) section of the financial report is designed to highlight the core business activities of the organization. Based on the basic statements and MD&A, are there noteworthy trends in any of the following [Note: additional guidance will be provided to assist with evaluating these financial trends.]:

**YES    NO**

- |                          |                          |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Tuition and Fees   |
| <input type="checkbox"/> | <input type="checkbox"/> | State Operating and Capital Appropriations   |
| <input type="checkbox"/> | <input type="checkbox"/> | Employee Compensation  |
| <input type="checkbox"/> | <input type="checkbox"/> | Federal and State Financial Aid Programs   |
| <input type="checkbox"/> | <input type="checkbox"/> | Capital Asset Construction and Maintenance   |
| <input type="checkbox"/> | <input type="checkbox"/> | Auxiliary Operations, such as bookstores, residence halls, and food services                                 |
| <input type="checkbox"/> | <input type="checkbox"/> | Unrestricted Net Asset Balances (Check the primary reserve ratio disclosed in the MD&A section for adequacy) |

If any there is an affirmative answer to any of these questions, more information must be obtained to evaluate the consequences of the issue.

**III. High Risk Transactions.** The notes to the financial statements explain the accounting methods used to prepare the financial statements and must highlight any transactions that have a significant impact. The notes are a good source for further information on high risk transactions. Some transactions present greater challenges and, thus, risks to the quality of financial reporting. Are there disclosures on the following issues:

**YES    NO**

- |                          |                          |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Prior Period Adjustments                                |
| <input type="checkbox"/> | <input type="checkbox"/> | Significant joint ventures, alliances, and partnerships |
| <input type="checkbox"/> | <input type="checkbox"/> | Contingent Liabilities Resulting from Litigation        |
| <input type="checkbox"/> | <input type="checkbox"/> | Related Party Transactions                              |
| <input type="checkbox"/> | <input type="checkbox"/> | Subsequent Events.                                      |

If any there is an affirmative answer to any of these questions, more information must be obtained to evaluate the consequences of the issue.