

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Audit Committee

Date: October 23, 2013

Title: Proposed Amendment to Board Policy 1A.2, First Reading

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

The proposed amendment removes the restriction that independent audit firms may not be appointed to a particular engagement for more than six consecutive years

Scheduled Presenter(s):

Beth Buse, Executive Director, Office of Internal Auditing
Laura King, Vice Chancellor - Chief Financial Officer

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

INFORMATION ITEM
PROPOSED AMENDMENT TO BOARD POLICY 1A.2 FIRST READING

BACKGROUND

Much debate has occurred over required rotation of external auditors. While the Public Company Accounting Oversight Board (PCAOB) believes strongly in a mandatory rotation, both the American Institute of Certified Public Accountants (AICPA) and the Institute of Internal Auditors are opposed to one based solely on passage of time. In fact, the AICPA believes that mandatory rotation would actually hurt government and not-for-profit organizations.

Controls currently in place to protect the system against risks associated with using the same audit firm on consecutive engagements include:

- At a minimum, board policy requires that we solicit bids for external audit services once every five years.
- Representatives from both internal audit and the finance division prepare the requirements for soliciting external audit bids and are involved in the evaluation of proposals received.
- Audit Committee recommends the selection of external audit firm(s) to the full Board of Trustees for approval.

RECOMMENDED COMMITTEE MOTION

The Audit Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the amendment to Board Policy 1A.2 Board of Trustees.

RECOMMENDED BOARD MOTION

The Board of Trustees approves the amendment to Board Policy 1A.2 Board of Trustees.

Date Presented to the Board of Trustee: October 23, 2013

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

BOARD POLICY – PROPOSED AMENDMENT	1A.2
Chapter 1. System Organization and Administration	
Policy 1A.2 Board of Trustees	

1A.2 Board of Trustees

Part 5. Standing Committees, Committees, and Working Groups of the Board.

Subpart E. Audit Committee. The audit committee of the board consists of no fewer than three and no more than seven members to be appointed by the chair of the board annually. The committee shall meet at the call of its chair. The audit committee is charged with oversight of internal and external audits of all system functions including individual campus audits. The board shall hire an executive director of internal auditing and other auditors who shall report directly to the committee and the board. Committee members shall receive training annually on their auditing and oversight responsibilities.

The audit committee is responsible for overseeing the service of internal and independent auditors. Policy 1D governs the Office Internal Auditing. The committee has the following responsibilities for independent auditors:

1. Oversee the process for selecting independent auditors. The committee shall select one or more independent auditors to audit system-level or institutional financial statements and recommend their appointment to the board. ~~An independent audit firm may not be appointed to a particular engagement for more than six consecutive years.~~
2. Review any non-audit services proposed by independent auditors under contract for audit services. The board must approve in advance any non-audit services to be provided by independent auditors under contract for audit services unless the scope of non-audit services is completely distinct from the scope of the audit engagement.
3. Review and discuss the results of each audit engagement with the independent auditor and management prior to recommending that the board release the audited financial statements.

Date of Adoption: 03/21/95,

Date of Implementation: 03/21/95,

Date and Subject of Revision:

xx/xx/13 - Amended Part 5, Subpart E1 to remove the restriction that independent audit firms may not be appointed to a particular engagement for more than six consecutive years.