

<b>Policy Identification Number</b>	
<b>Policy Title</b>	Audit Committee Charter
<b>Classification</b>	MUSC/MUHA Board of Trustees
<b>Approval Authority</b>	MUSC/MUHA Board of Trustees
<b>Responsible Entity</b>	MUSC/MUHA Board of Trustees
<b>Policy Owner</b>	Secretary of the Board of Trustees

**I. Policy Statement**

To assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the institution’s process for monitoring compliance with laws and regulations and the code of conduct.

**II. Scope**

This policy applies to the Audit Committee of the MUSC and MUHA Board of Trustees.

**III. Approval Authority**

MUSC and MUHA Board of Trustees

**IV. Purpose of This Policy**

This policy defines the duties and authority of the Audit Committee of the Board of Trustees.

**V. Who Should Be Knowledgeable about This Policy**

- MUSC and MUHA Board of Trustees
- Internal Audit
- Legal Counsel
- Compliance Officers
- Chief Information Security Officer
- Director of Strategic Risk Management

**VI. The Policy**

**COMMITTEE PURPOSE**

The Audit Committee (the “Committee”) shall concern itself with assisting the Board of Trustees in discharging its fiduciary and stewardship obligations relative to the reliability and integrity of systems of internal control, accounting practices, annual reporting, internal and external audit processes, management of business exposures, and compliance with legal, regulatory, and ethical requirements, and with institutional policies and procedures. The Committee is responsible for assuring that the organizational culture, capabilities, systems, processes and controls are appropriate to protect the financial health and reputation of the Medical University of South Carolina (MUSC) and the Medical University Hospital Authority (MUHA) (collectively referred to as “the entities”) in audit related matters.

The Committee assists the Board of Trustees by:

- 1) Overseeing the integrity of the financial statements of the entities;

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- 2) Overseeing the entities' compliance with legal, regulatory, and ethical requirements and policies and procedures;
- 3) Coordinating with the independent, external auditors on the annual audit of the financial statements;
- 4) Reviewing the external auditors' qualifications, performance, and independence;
- 5) Overseeing the accounting and financial reporting processes of the entities;
- 6) Overseeing the performance and independence of the internal audit function; and
- 7) Overseeing the internal control structure and management practices of the entities, including the management of business exposures.

The full Board will continue to have complete access to management and the Internal Audit department and may continue to request the Internal Audit department to review areas of concern to them. The role of the Committee is oversight. It is not the duty of the Committee to prepare financial statements or to conduct audits to independently verify management's representations or to determine that the financial statements are complete and fairly present the financial condition of MUSC and its affiliates. These are the responsibilities of management and the external auditors. Management is responsible for maintaining the accounting and financial records in accordance with appropriate principles and standards. Management is responsible for putting sufficient internal controls in place to ensure efficient and effective operations, reliable financial reporting, and compliance with laws and regulations. The Committee will set the appropriate tone in communicating the importance of internal control and direct management to establish appropriate internal controls.

The Management Development and Compensation Sub-Committee (the "Sub-Committee") of the Audit Committee reports to the Board through the Audit Committee. The mission of the Sub-Committee is to ensure that executive management and employees of the entities receive compensation that is market-level competitive, supports achieving the entities' strategic objectives, and is relevant to the individual's annual job performance while being sensitive to funding availability and longer term budget goals. The Board of Trustees finds that good governance includes insuring that compensation decisions are made in a fiscally prudent manner.

**COMMITTEE AUTHORITY**

The Audit Committee has the full authority to review/investigate any matter or activity within the scope of its responsibilities. It shall have direct access to management, Internal Audit, Legal Counsel, the Compliance Officers, the Chief Information Security Officer, the Director of Strategic Risk Management, and any other members of or resources within MUSC and its affiliated organizations. All employees shall be directed to cooperate as requested by members of the Committee. The Committee shall also have the resources and authority to retain special legal, accounting, or other experts it deems necessary in the performance of its responsibilities.

**COMMITTEE MEMBERSHIP**

In accordance with Section IV (B) of the Bylaws of the Board of Trustees, the Chairman of the Board shall appoint the Audit Committee members, all of whom shall be Trustees, and the Committee members will elect one individual to serve as Committee Chairman. Each member of the Committee, including the Chairman, shall be independent and by reason of education or experience possess such degree of financial literacy as required to oversee the performance of the internal and external auditors, review the institution's financial statements, and otherwise faithfully execute the role of the Audit Committee

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set forth in the bylaws. At least one member of the Committee should have appropriate experience with internal controls, an understanding of applicable accounting principles, the application of such principles in preparing or auditing financial statements, and an understanding of audit committee functions.

As with other standing committees, members of the Management Development and Compensation Sub-Committee will be appointed by the Chairman of the Board of Trustees and is not limited to members of the Audit Committee. The Chairman of the Audit Committee will serve as chairman of this Sub-Committee.

**COMMITTEE MEETINGS**

The Audit Committee shall meet at least two times per year. Internal Audit will coordinate the Committee’s agenda in consultation with the Committee Chair and the Secretary of the Board of Trustees. The Management Development and Compensation Sub-Committee shall meet as needed. All Board members are encouraged to attend and participate in the Audit Committee and Sub-Committee meetings.

Members of the Committee shall uphold their duty of care by attending and participating in meetings, strengthening their understanding of the institution and its operations, maintaining professional skepticism, addressing appropriate subjects, gathering adequate facts, making reasonable and prudent inquiries before making a decision, and seeking outside counsel when necessary.

**COMMITTEE DUTIES**

The Committee shall advise the Board in connection with the Board’s responsibilities relating to the quality and integrity of the University’s financial reporting, compliance with laws and regulations, and overall systems of internal control and risk mitigation. The Committee will make regular reports to the Board of the Committee’s activities and relevant issues; each member of the Committee may suggest topics for reporting to the Board.

A strong system of internal controls is essential to protect the financial health and reputation of MUSC and MUHA. As such, the Committee is responsible for assuring that management is setting the appropriate tone in communicating the importance of internal controls that roles and responsibilities are clearly understood, and that policies, procedures, and systems are in place to maintain the appropriate internal control environment. Additionally, the Committee should determine whether management has implemented internal control recommendations made by internal or external auditors. The Board will receive reports of all internal audits along with the status of corrective actions. Management and the internal and external auditors shall to keep the Committee informed about fraud, illegal or unethical acts; deficiencies in internal control; and other audit-related matters.

The Committee will review the institution’s Code of Conduct and ensure that it is easily accessible, widely communicated, understandable, includes a confidential reporting mechanism, and is enforced. It will also ensure that the institution’s Conflict of Interest policy is comprehensive, requires an annual signoff, clearly defines the term “conflict of interest,” and contains procedures for adequately managing/resolving and documenting potential conflicts.

The Committee will advise the Board on appropriate ethical standards for the management of the organization.

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Internal Audit is accountable to the Board and shall report to the Board. Internal Audit shall also work with the Audit Committee and meet and make reports to the Committee as required. The Committee will:

- 1) Ensure that the internal audit department has direct and unrestricted access to the chairman and other committee members.
- 2) Oversee the scope of Internal Audit services and have access to the internal audit function without management presence.
- 3) Review the charter, activities, staffing, budget and organizational structure of the internal audit function with the Director of Internal Audit to ensure appropriate structure and capability to effectively carry out responsibilities.
- 4) Consult and concur with the Board, who will continue to have ultimate responsibility, in the appointment, compensation, evaluation, replacement, reassignment, or dismissal of the Director of Internal Audit.
- 5) Review Internal Audit's annual risk assessment and audit plan, including any subsequent significant modifications to the audit plan, such as special requests by the Board or management.
- 6) Provide an effective reporting line and maintain the independence and objectivity of the internal audit function
- 7) Ensure that Internal Audit has the right to seek information and explanations from MUSC and its affiliated organizations. No unjustified restrictions or limitations shall be placed on Internal Audit, which shall have all necessary access to management and all employees and records of MUSC and its affiliated organizations to the extent necessary to perform its duties.
- 8) Meet with Internal Audit at each meeting of the Audit Committee to discuss any necessary matters; to provide a forum for private comments including discussion of any restrictions on audit scope or access to required information, resources, or personnel; and to communicate the Committee's expectations.
- 9) Review and consider the implications of all significant comments and suggestions noted by Internal Audit in its reports. Evaluate management's responsiveness to Internal Audit's comments and suggestions to ensure that significant comments and suggestions are received, discussed, and acted upon in an appropriate and timely manner.
- 10) Work with Internal Audit to offer assistance in matters where the department has requested such advice.

The external auditor is ultimately accountable to the Board and shall report directly to the Audit Committee. The Committee will review and pre-approve, as appropriate, any engagement of an external audit firm for audit, audit-related, and non-audit services. The Committee will identify and prioritize the selection criteria for external audit services, appoint, terminate, compensate, oversee the performance of, and pre-approve any changes in scope or additional work and the related changes in fees. The Committee will review and confirm the external auditor's assertion of independence in accordance with professional standards, and consider how the performance of non-audit services may affect the external auditor's independence. At least every five years, the Committee will undertake a Request for Proposal for external auditing services.

The Committee will meet with the external auditor in an entrance conference to review the audit plan for the annual financial statement audit before work begins. Invite the external auditors of each of the

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affiliated organizations to attend for the purposes of coordinating audit effort, deadlines, the transfer of information, etc.

The Committee will meet with the external auditor in an exit conference to examine and discuss audit results and consider the implications of external audit findings. The Committee should meet with the external auditor without management present to discuss the audit outcomes. The Committee will review with the external auditors any booked or waived audit adjustments and any audit problems or difficulties encountered in the course of the audit work, including any restrictions on the scope of external audit activities or on access to requested information, and any significant disagreements with management, as well as management’s response thereto. The Committee will monitor and examine management’s response to the external auditor’s findings and recommendations to ensure that significant findings and recommendations are received, discussed, and acted upon in an appropriate and timely manner. Further, the affiliated organizations and their auditors shall share their audit results (financial statements, audit findings, etc.) with the Committee. At least in years one and three of each 5-year contract period, the Committee will evaluate the performance of the external auditors.

The Committee shall review the audited financial statements and external auditor’s management letter, annual single audit report, and other materials, including the Comprehensive Annual Financial Report (CAFR), as deemed appropriate. The Committee will ascertain that the audited financial statements have been prepared in accordance with generally accepted accounting procedures and that there are no unresolved adjustments or other significant related issues. The Committee will then recommend approval of the annual financial statements to the Board.

The Compliance Officers of MUSC and MUHA are accountable to the Board and shall report to the Board. The Committee will receive bi-annual reports for all entities regarding the activities of the Compliance Offices. It will also receive reports on and monitor responses to complaints received by the institution or confidential anonymous submissions by employees (via the hotline or other avenues) regarding accounting, internal controls, general ethical conduct, fraud, inefficiencies, or unlawful activity. The Committee will review procedures for the receipt, retention, and treatment of such information.

The Chief Information Security Officer and Director of Strategic Risk Management are accountable to the Board and shall periodically report to the Board.

The Committee will review and discuss with Legal Counsel significant legal, environmental, and regulatory issues.

Other Committee duties include:

- Reviewing, as needed or requested, the results of the various audits or investigations performed by all areas that perform oversight or review functions.
- Receiving and reviewing all outside audits, including the findings of any significant examinations by regulatory agencies or the results of significant consulting engagements not reported to another standing committee.

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- Reviewing, as requested, property and casualty insurance coverage including coverage of clinical and environmental risks. Consider the claims to which the organization may be liable in the conduct of its activities, the potential losses associated with such liability, and the manner in which protection is afforded through either purchased or self-insured programs, or a combination thereof.
- Conducting in the manner the Committee deems appropriate, a self-evaluation, comparing performance with the requirements set forth in the bylaws in order to increase the effectiveness of the Committee as a whole. This self-evaluation may be combined with the Board self-assessment.
- Performing any other oversight functions as requested by the Board or deemed necessary in accordance with the bylaws.
- Reviewing the Board Bylaws governing the Committee at least every four years and recommend to the Board the formal adoption of any revisions for future operations of the Committee.
- Reporting to the Board on all financial matters in its area of concern.

The Management Development and Compensation Sub-Committee shall:

- Ensure that executive management and employees of the entities receive compensation that is market-level competitive, supports achieving the entities’ strategic objectives, and is relevant to the individual’s annual job performance while being sensitive to funding availability and longer term budget goals. The Sub-Committee will review all policy matters related to evaluation and compensation of the President, the Vice Presidents, the Deans, the Secretary of the Board (collectively “Executive Leadership”), and any other positions the Sub-Committee may decide. The Sub-Committee will make recommendations to the Board via the Audit Committee regarding these matters. The Sub-Committee will assist the Board in determining a compensation package for the President and advise the President regarding appropriate compensation structures for other members of Executive Leadership.
- Review, at least annually, MUSC’s assessment of potential candidates for promotion (Key Employees) to, at a minimum, the positions of Vice President, Dean, and other senior executives designated by the Board. The assessment should identify candidates’ potential for promotion, professional development needed to address perceived deficiencies in a candidate’s preparedness for promotion, or other actions to develop a “deep bench” of potential MUSC leaders. The Sub-Committee shall assist the President in determining appropriate professional development assistance for the MUSC Key Employees and in determining the best approaches to providing that assistance. The Sub-Committee shall review, at least annually, the Management Development plans in place and planned to ensure that all employees are encouraged to continuously improve their professional capabilities.

No offer of compensation, whether written or oral, subject to the review of the Management Development and Compensation Sub-Committee shall be effective as binding on the entities without the required approval(s).

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**COMMITTEE EDUCATION**

The University’s senior management and Internal Audit department are responsible for providing the Committee with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the Committee to maintain appropriate financial and compliance literacy.

**PERIODIC REVIEW**

The Audit Committee will review its charter as needed but at least once every four years. Any amendment or other modification of this charter shall be made and approved by the Board of Trustees.

**VII. Special situations**

**VIII. Sanctions for Non-compliance**

**IX. Related Information**

**A. References, citations**

**B. Other**

**C. Appendices**

**X. Communication Plan**

**XI. Definitions**

**XII. Review Cycle**

Every 4 years

**XIII. Approval History**

<i>Approval Authority</i>	<i>Date Approved</i>
Board of Trustees	April 9, 2010
Board of Trustees	December 14, 2012
Board of Trustees	December 12, 2014
Board of Trustees	December 9, 2016
Board of Trustees	April 13, 2018

**XIV. Approval Signature**

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Executive Officer

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Date

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Title