

POLICY NUMBER: 1.00.130**EFFECTIVE DATE:** 12/12/19**TITLE:** Audit Committee Charter**SUPERSEDES:** 12/13/18**BOARD ADOPTION:** 12/12/19

PURPOSE

The Board has established an Audit Committee to assist it in the financial and related oversight of the Washington State Investment Board (WSIB), including the:

1. System of risk management.
2. System of internal controls.
3. Internal Audit process.
4. External audits/examinations/investigations.
5. Process for monitoring compliance.
6. Financial reporting.
7. System of proxy voting.

The Audit Committee will invite members of staff, external auditors, internal auditors, and others to attend meetings and to provide pertinent information, as necessary. It may hold private meetings with auditors in executive session as provided by law.

DUTIES AND RESPONSIBILITIES**General Investigatory Powers**

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

1. Institute and oversee, as needed, special investigations.
2. Recommend to the Board the retention of accountants or other specialists to advise the Audit Committee or assist in the conduct of an investigation.
3. Seek any information it requires from employees, all of whom are directed to cooperate with the Audit Committee's requests, or the requests of external parties working for the Audit Committee.

System of Risk Management

The Audit Committee will:

1. Ensure that an effective process of enterprise risk management, risk governance, and appropriate risk culture is in place.
2. Review the scope of staff's review of risk management and obtain risk assessment reports at least annually.
3. Review the scope of any consultant's review of risk management.
4. Review and recommend for Board approval any changes to the organization's risk appetite statements.

System of Internal Controls

The Audit Committee will:

1. Ensure the organization has a comprehensive policy and framework for an effective system of internal controls and mechanisms for periodic assessment of the system of internal controls.
2. Review the effectiveness of the organization's internal control system.
3. Review the scope of internal and external audit's reviews of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with staff's responses. Internal Audit staff will report periodically on the implementation of the Audit Committee's recommendations.
4. Review the scope of Internal Audit's review of internal controls over all other processes, and obtain reports on significant findings and recommendations, together with staff's responses. Internal Audit will report periodically on the implementation of the Audit Committee's recommendations.
5. Ensure that contracts with external service providers, custodians, investment managers, and investment partners contain appropriate record-keeping and audit language.

Internal Audit Process

The Audit Committee will:

1. Recommend to the Board a Charter for Internal Audit.
2. Oversee the selection and removal process of the Audit Director, review the Audit Director's performance evaluation prepared by the Executive Director, and approve the Audit Director's annual compensation and salary adjustments.
3. Assure and maintain, through the organizational structure of the WSIB and by other means, the independence of the internal audit process.
4. Ensure that Internal Audit staff has access to all documents, information, and systems in the organization.
5. Ensure that there are no unjustified restrictions or limitations placed on the Internal Audit process.
6. Review with staff and Internal Audit the Charter, objectives, plans, activities, staffing, qualifications, and organizational structure of the Internal Audit function.
7. Review the scope of Internal Audit's annual risk assessment process and the audit plan based upon the risk assessment. Recommend for Board approval the annual internal audit plan.
8. Receive and review all Internal Audit reports.
9. Review the responsiveness and timeliness of staff's follow-up activities pertaining to any reported findings and recommendations.
10. Review the effectiveness of the Internal Audit function, including conformance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
11. As needed, meet separately with Internal Audit to discuss any matters that the Audit Committee or Internal Audit believes should be discussed privately, subject to open meeting laws.
12. Delegate to Internal Audit the management of the contract for any firm hired by the Board to perform audit related services.

13. Designate Internal Audit as the primary point of contact for handling all matters related to audits, examinations, investigations, or inquiries of the State Auditor's Office or other appropriate state agencies.

External Audits/Examinations/Investigations

The Audit Committee will:

1. For any State Auditor's Office audit or agreed-upon procedures:
 - a. Review the scope and approach, including coordination of effort with Internal Audit.
 - b. Review and meet with the State Auditor's Office staff regarding the results of any accountability audit it may perform as it relates to the WSIB.
2. For all other external auditors/vendors recommended by the Audit Committee to perform audits, agreed-upon procedures, examinations, and investigations:
 - a. Review and recommend for Board approval the scope of all services to be performed by other external auditors/vendors.
 - b. Review the independence of the other external auditors by obtaining statements from the auditors on relationships between these auditors and the organization, including any non-audit or non-attest services, and by discussing the relationships with the auditors. Obtain from staff a listing of all services provided by these external audit firms. Obtain information from Internal Audit and other sources as necessary.
 - c. Review the performance of the other external auditors/vendors.
 - d. Provide recommendations to the Board concerning the appointment or discharge of any external auditors/vendors.
3. Review all reports of external audits, agreed-upon procedures, examinations, and/or investigations, and forward to the Board for acceptance.
4. Provide a forum for follow-up on findings from reports on external audits, agreed-upon procedures, examinations and/or investigations.

Process for Monitoring Compliance

The Audit Committee will:

1. Ensure that the organization has a policy and framework for compliance with laws and regulations and mechanisms for periodic assessment of compliance.
2. Review the effectiveness of the system for monitoring compliance with laws and regulations, and the results of staff's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
3. Obtain updates from staff regarding investment compliance at least annually, and staff and Legal Services Director regarding other compliance matters, as they arise.
4. Monitor changes and proposed changes in laws, regulations, and rules affecting the audit function.
5. Communicate with the Board regarding the organization's conflict of interest policy as it relates to internal control, financial reporting, and all auditing activities. The Audit Committee will review the annual conflict of interest and personal trading policies compliance review, which includes annual reporting regarding personal investment requests made by the Executive Director and/or Board members during the year.
6. Review the process for communicating the conflict of interest and personal trading policies to all affected parties and for monitoring compliance therewith.

7. Review the daily valued funds operations policy every three (3) years, and monitor any errors that impact the Daily Valued Funds portfolios.
8. Review the log of investment contacts and referrals maintained by the Executive Director on a quarterly basis.

Financial Reporting

The Audit Committee will:

1. Review with management, external auditors, and Internal Audit the results of the WSIB financial statement audit, including any difficulties encountered.
2. Review all significant adjustments proposed by the external financial statement auditor and by Internal Audit.
3. Review all significant suggestions for improved financial reporting made by the external financial statement auditor and Internal Audit.
4. Review with the Legal Director the status of legal matters that may have an effect on the financial statements.
5. Review with management the WSIB's Annual Report and recommend Board approval of the report.

Proxy Voting

The Audit Committee will:

1. Ensure that the organization has a comprehensive policy and framework for an effective proxy voting system.
2. Review the proxy voting policy and guidelines and make recommendations to the Board.
3. Review staff and consultant's annual proxy voting report summarizing the exercise of proxy voting rights by the WSIB.

Reporting and Other Responsibilities

The Audit Committee will:

1. Provide an open avenue of communication between Internal Audit, the State Auditor's Office, other external auditors, staff, and the Board.
2. Serve as the primary liaison and provide the appropriate forum for handling all matters related to audits, examinations, investigations, or inquiries of the State Auditor's Office and other appropriate state agencies.
3. Review any other reports the organization issues that relate to Audit Committee responsibilities.
4. Regularly report to the Board about all Committee activities, issues, findings, and related recommendations.
5. Perform other activities related to this Charter as requested by the Board and report to the Board.

POLICY REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

Policy Adopted 8/1/03

Revised 7/20/06

Revised 2/15/07

Revised 5/17/07

Revised 4/17/08

Revised 9/17/09

Revised 4/15/10

Revised 12/16/10

Revised 6/16/11

Revised 6/21/12

Revised 12/19/13

Revised 9/18/14

Revised 9/17/15

Revised 9/15/16

Revised 6/15/17

Revised 6/21/18

Revised 12/13/18

Revised 12/12/19