



NOTICE AND CALL FOR SPECIAL MEETING

I, Louis Fiorino, pursuant to California Government Code section 54956, hereby call for a special meeting of the San Bernardino County Employees' Retirement Association, to be held on Friday, March 24, 2017 at 9:00 a.m. at 1749 Garden Street, Redlands, CA 92373.

The business to be transacted at the meeting is:

SCHEDULED ITEMS:

1. Call meeting to order.
2. Discussion on Governance and Communication
Neal Waner, Board Trustee, SBCERA
3. Discussion on Investment - 20% Manager Cap
Louis Fiorino, Board Chairman, SBCERA
4. Discussion on the Audit Committee Role
Vere Williams, Board Trustee, SBCERA
5. Presentation on Investment Fee Report
Staff and Consultants

This written notice shall be delivered to each member of the Retirement Board.

SAN BERNARDINO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

BY: LOUIS FIORINO
Chairman, Board of Retirement

DATED: March 20, 2017

AGENDA

SPECIAL MEETING
BOARD OF RETIREMENT
SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
March 24, 2017
9:00 AM
Redlands Country Club
1749 Garden Street
Redlands, California

PUBLIC NOTICE

Items of interest to the public that are within the subject matter jurisdiction of the Retirement Board may be addressed by the public during the meeting. Persons wishing to address items on the agenda should provide notice to the Secretary of the Board prior to Board's discussion of the item. Members of the public may also comment during the Public Comment period at the end of the meeting. Speakers are limited to three minutes.

SCHEDULED ITEMS:

1. Call meeting to order.
2. Discussion on Governance and Communication
Neal Waner, Board Trustee, SBCERA
Trustee Waner will lead a Board discussion on General Policy No. 002 (Issue 2.0) Statement of Governance Principles, and its applicability as to the interactions between individual Board members and SBCERA's staff and senior managers.
3. Discussion on Investment - 20% Manager Cap
Louis Fiorino, Board Chairman, SBCERA
Investment Plan, Policy and Guidelines Policy 001, ARTICLE VII A 1 limits the allocation of SBCERA Fund assets to a 20% maximum to any investment manager or investment holding company, unless the maximum cap is raised by the Board. Trustee Fiorino will lead a discussion of the Board to consider reducing the 20% cap.
4. Discussion on the Audit Committee Role
Vere Williams, Board Trustee, SBCERA
The SBCERA Board shall maintain an Audit Committee, appointed by the Chairman, with at least one member who has financial expertise, to advise the Board on audit matters [BY LAWS – ARTICLE II (10)]. Trustee Williams will lead a Board discussion on this committee's role in advising the Board on audit matters.
5. Presentation on Investment Fee Report
Staff and Consultants
The SBCERA Investment and Fiscal staffs and SBCERA investment consultant will present a report to the Board which illustrates compensation paid by the SBCERA fund to investment managers, and a comparison of such compensation in the public fund market place.

SUGGESTIONS FOR FUTURE AGENDA ITEMS

PUBLIC COMMENT

At this time, the Board will provide an opportunity for the public to address any subject, within the jurisdiction of the Board, which is not already scheduled on this agenda. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chairman, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Speakers are limited to three minutes.

ADJOURN

NOTES

The term "Action" in the wording of any Agenda item contained herein serves as notice that the Board may, in its discretion, dispose of any item by any action in the following non-exclusive list: approve, disapprove, modify, defer, table, take no action, and receive and file.

The Board of Retirement meeting facility is accessible to persons with disabilities. If assistive listening devices or other auxiliary aids or services are needed in order to participate in the public meeting, requests should be made through the Executive Assistant at least three (3) business days prior to the Board meeting. The Executive Assistant's telephone number is (909) 885-7980, and the office is located at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA.

UPCOMING MEETINGS

Audit Committee Meeting
April 6, 2017
8:00 a.m.

Board Meeting
April 6, 2017
9:00 a.m.

Investment Committee Meeting
April 11, 2017
2:00 p.m.

Special Board Meeting
April 18, 2017
10:00 a.m.

Audit Committees: The Roles and Responsibilities



While audit committees are not required for all organizations, those who use one – or plan to form one – should pay close attention to how audit committees operate.

What is an audit committee?

The primary purpose of an audit committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

The audit committee can expect to review significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements. An understanding of how management develops internal interim financial information is necessary to assess whether reports are complete and accurate.

The committee reviews the results of the audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards.

Audit committees will consider internal controls and review their effectiveness. Reports on, and management responses to, observations and significant findings should be obtained and reviewed by the committee. Controls over financial reporting, information technology security and operational matters fall under the purview of the committee.

How does an audit committee work?

The committee establishes procedures for accepting confidential, anonymous concerns relative to financial reporting and internal control matters. Often referred to as a “whistle-blower policy,” the procedures allow individuals to bring questions and issues to light without fear of retribution.

The audit committee is responsible for the appointment, compensation and oversight of the work of the auditor. As such, CPAs report directly to the audit committee, not management.

Audit committees should meet separately with external auditors to discuss matters that the committee or auditors believe should be discussed privately. The committee will also review the Source:

<http://www.grfcpa.com/resources/publications/audit-committee-responsibilities>

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proposed audit approach and handle coordination of the audit effort with internal audit staff, if applicable.

When an internal audit function exists, the committee will review and approve the audit plan, review staffing and organization of the function, and meet with internal auditors and management on a periodic basis to discuss matters of concern that may arise.

What do audit committee members do?

Committee members can expect to participate in an executive session at each meeting. These sessions can be used to meet with auditors, key members of management or financial reporting staff and provide the opportunity to glean candid information on potentially sensitive topics.

A recent survey of audit committee members reveals that a key focus has become enterprise risk management (ERM). Those surveyed ranked the level of challenge related to enterprise risk management significantly above governance, risk management, financial reporting and internal audit.

The reason is simple. ERM embraces every risk perspective of an organization. While the entire board is responsible for enterprise risk management, the ownership may rest with the audit committee.

Audit committees should re-examine focus, monitor effectiveness and set the course for future activities. Newly formed committees can benefit from the wealth of experience offered by those who have spent time in the trenches.

Effective internal control emanates from the top and permeates throughout an organization. Senior management must set the tone for internal control, and the audit committee can be an important piece in the internal control puzzle.

All too frequently in the past, audit committees were stacked with cronies of the chairman and president. They tended to be rubber stamps of the chief executives that met the letter, but certainly not the spirit, of the rules. In such an environment, they tended to disguise control rather than contribute to it.

But an audit committee established with the proper attitude and responsibility will accomplish exactly that. If you're a skeptic, you naturally may wonder how more bureaucracy can contribute to profits.

What is an audit committee charter?

An audit committee charter sets forth the general purpose, authority, composition and responsibilities of the committee. The charter should be tailored to the organization.

Source:

<http://www.grfcpa.com/resources/publications/audit-committee-responsibilities>

On an annual basis, the committee should determine that all responsibilities outlined in the charter have been carried out. In addition, the charter should be reviewed, and proposed updates presented to the board for approval.

While the charter must remain effective, so must committee members. Best practices include an annual evaluation of members' performance.

Although audit committees may be reluctant to focus on self-measurement for fear of disclosing weaknesses, evaluation of committee activities is a key tool in achieving and maintaining a high degree of effectiveness.

What are the benefits of an audit committee?

Good management involves matching key tasks with the appropriate people to achieve better results. Your company can derive the most benefit from an audit committee by following these five steps:

1. Leverage your time. Financial reporting is becoming more important and complicated every year. An audit committee should be led by a designated "financial expert" and staffed with a select group of people knowledgeable about financial matters.

2. Improve your internal control. Internal control may not be at the top of your list of important objectives, but it should be. Internal control is more than dual signatures on checks and segregation of duties. Properly designed, it will support every aspect of your company.

Proper internal controls will lead to higher efficiencies in all processes, less waste of resources, more objective evaluation methods and more timely and accurate management measurements. Think how valuable such improvements would be for your organization and how much you would be willing to pay a consultant to guide you in the right direction. This is another role an effective audit committee can fill.

3. Improve your financial management. The audit committee focuses on the financial management and reporting of the company. This group provides a high level of specific expertise in this critical area of your company.

Financial management and reporting determine your creditworthiness to outsiders and growth targets and successes to insiders. They are the key determinants in establishing the market value of your company – the ultimate scoreboard for management's results.

Does your board actively manage your company's financial and reporting functions – or delegate them to the outside auditor? You and your board have the responsibility and are held accountable for these functions.

Source:

<http://www.grfcpa.com/resources/publications/audit-committee-responsibilities>

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4. Clarify the roles and responsibilities of your board of directors. A common myth is that a company can get by without an audit committee. The board of directors may be responsible for doing the work of an audit committee.

But without clear responsibilities assigned, there is the risk that the task may be inefficiently or ineffectively executed, or perhaps not executed at all. Having a separate audit committee clarifies key responsibilities for your board.

5. Bring value to your audit dollar. An audit is an expensive endeavor that all too many view as a “necessary evil” or another cost of borrowing. An active audit committee stays involved with the auditors throughout the year. The audit committee’s relationship with the auditor is similar to a willing and engaged patient who makes the physician better and more effective. Hidden problems can be discovered early and dealt with before they grow into something dangerous

THE END.....

Additional references:

1. https://en.wikipedia.org/wiki/Audit_committee
2. [http://www.ey.com/Publication/vwLUAssets/A_guide_for_audit_committees/\\$FILE/EY-Staying-on-course-guide-for-audit-committees.pdf](http://www.ey.com/Publication/vwLUAssets/A_guide_for_audit_committees/$FILE/EY-Staying-on-course-guide-for-audit-committees.pdf)
3. <https://na.theiia.org/standards-guidance/Public%20Documents/Model%20Audit%20Committee%20Charter.pdf>
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Source:

<http://www.grfcpa.com/resources/publications/audit-committee-responsibilities>

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QUALITY
Ensuring Excellence

Model Audit Committee Charter

PURPOSE

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

AUTHORITY

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

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

COMPOSITION

The audit committee will consist of at least three and no more than six members of the board of directors. The board or its nominating committee will appoint committee members and the committee chair.

Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The committee will carry out the following responsibilities:

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Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Approve the internal audit charter.
- Approve decisions regarding the appointment and removal of the chief audit executive. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the chief audit executive the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- At least once per year, review the performance of the chief audit executive and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the *International Standards for Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the company issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM AUDIT COMMITTEE CHARTER

The purpose of the Audit Committee ("Committee") is to assist the Board of Administration ("Board") in fulfilling the Board's oversight responsibilities for SDCERS' financial reporting process, system of internal controls, audit process, and process for monitoring compliance with laws and regulations and internal financial policies and procedures.

Authority

Primary responsibility for SDCERS' financial reporting, accounting systems, and internal controls is vested in the Chief Executive Officer and Controller and is overseen by the Board. The internal and external auditors report directly to the Committee and to the Board.

The Committee shall have unrestricted access to SDCERS' personnel, books, records and facilities and is authorized to review any matter within its scope of responsibility, including:

- Recommending to the Board the appointment and compensation of the external audit firm.
- Approving all auditing and other services provided by the external auditor.
- Resolving disagreements between management and the external auditor regarding financial reporting.
- Seeking counsel and advice from the SDCERS' fiduciary counsel, General Counsel, external and internal accountants and auditors, and others to advise the Committee or assist in the conduct of any review. The Committee shall not retain any other professional or firm without the approval of the Board.
- Seeking any information it requires from employees—all of whom are directed to cooperate with the Committee's requests—or external parties.

Composition

The Committee shall consist of five members, three of whom shall be independent non-Board members appointed by the Board. Each Committee member shall be both independent and knowledgeable in financial reporting issues. SDCERS will contractually indemnify the independent, non-Board members.

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Chair

The Committee shall appoint any of its members as chair who shall serve a one-year term and may be elected for a second year. The chair takes office on the day of his or her appointment to that position and serves until his or her successor is appointed and assumes office. Appointments are conducted in open session by a vote of a quorum of the Committee.

Term

The three independent, non-Board members are appointed by the Board for staggered terms of four years each (inaugural appointments in 2006 shall have one member serving a two-year term and one member serving a three-year term). The Board may appoint any independent, non-Board member to serve a second term. Members in this category will

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be limited to a maximum of eight consecutive years in office and an interval of two years must pass before such persons can be reappointed. Such appointees must not have any other personal interests which would create a conflict of interest with the duties of the independent, non-Board member.

Meetings

The Committee will meet at least four times a year at the call of the chair. All Committee members are expected to attend each meeting, and the Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. Staff or the Chair may call special meetings consistent with the requirements of the Ralph M. Brown Act. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and retained by SDCERS.

Compensation

Committee members shall serve without compensation but shall receive reimbursement for their necessary expenses incurred in performance of their duties for SDCERS.

Responsibilities

The Committee has the following responsibilities:

External Audit

- Recommend to the Board the appointment and compensation of the external audit firm.
- Review and approve all external audit services.

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- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and SDCERS, including any non-audit services, and discussing the relationships with representatives of the external auditing firm.
- Review the planning and results of the external audit including:
 1. Providing input to the external auditor regarding the scope of the audit, including materiality, areas of risk, timetable, deadlines and coordination with the Controller and the Internal Auditor;
 2. Assessing the auditor's objectivity, accountability, effectiveness, and past performance;
 3. Assessing the working relationship with management;
 4. Reviewing with management and the external auditors all matters required to be communicated in the external auditor's report to the Board of Administration ("Management Letter") under generally accepted auditing standards; and,
 5. Communicating the outcome of the external audit with the Board, including identification of any areas of concern.
- Meet with the external auditor to discuss pertinent matters as needed, including the quality of SDCERS' staff, in closed session in compliance with the Brown Act;
- Meet with the external auditor, as needed, to discuss the quality of the auditor's personnel; and

- If necessary, recommend to the Board termination of the external auditor.

Internal Audit

- Review and approve the annual audit plan and all significant changes to the plan. Review the Internal Auditor’s performance relative to the plan.

- At least every five years, with the assistance of the Quality Assurance Reviewer, review the effectiveness of the internal audit function including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing*.

- Review internal audit findings and recommendations, management’s responses and actions taken to implement the audit recommendations.

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- Prepare an annual performance evaluation in accordance with the performance review timeline for the Internal Auditor.

- Inquire with the Internal Auditor to determine if there are audit scope or budgetary limitations that impede the ability of the internal audit activity to carry out its responsibilities.

Financial Statements

- Review the Comprehensive Annual Financial Report (CAFR) and provide input to management and the external auditor. The Committee should discuss the following topics with management, external auditors and actuaries, as necessary:

1. The selection of and/or changes in accounting policies;
2. The quality of accounting principles;
3. Significant accounting and reporting issues including complex or unusual transactions and highly judgmental areas;
4. Recent professional and regulatory pronouncements;
5. Accruals, actuarial assumptions, valuations and estimates;
6. The quality of disclosures to ensure with reasonable certainty they are complete and free of misleading or ambiguous statements;
7. Any difficulties encountered or significant adjustment proposed by the external auditors.

- If submitted to the Government Finance Officers Association’s (GFOA) Special Review Committee, review any comments provided by GFOA as a result of GFOA’s review of the CAFR.

Accounting Systems and Internal Control

- Consider the effectiveness of SDCERS’ internal control system, including information technology security and control.

- Obtain reasonable assurance from discussions with and/or reports from management, and reports from external and internal auditors, that SDCERS’ accounting systems are reliable and the internal controls are operating effectively.

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and

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recommendations, together with management's responses.

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Reporting

- Regularly report to the Board about Committee activities, issues and related recommendations.
- Disclose to SDCERS' members in the annual CAFR the Committee's composition and responsibilities.
- Review any other reports SDCERS issues that relate to the Committee's responsibilities.

Other

- Have oversight responsibility for other audit or governance-related activities as requested by the Board.
- Report annually to the Board how the Committee has discharged its duties and met its responsibilities.
- Institute and oversee special investigations as needed.
- Review with general counsel, external auditors, external counsel, and the Internal Auditor legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements, related organization compliance policies, and programs and reports received from regulators.

Charter Review and History

The Board will review this Charter at least every three years to ensure it remains relevant and appropriate.

This Charter was adopted by the Board of Administration on November 17, 2006, amended by the Board on July 18, 2008, reviewed on July 8, 2011, amended January 10, 2014, September 12, 2014 and September 11, 2015.

**BOARD ADOPTED POLICY****POLICY NUMBER:** 1.00.130**EFFECTIVE DATE:** 9/15/16**TITLE:** Audit Committee Charter**SUPERSEDES:** 9/17/15**BOARD ADOPTION:** 9/17/15**APPROVED:** **PURPOSE**

The Board has established an Audit Committee to assist it in 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 RESPONSIBILITIESGeneral 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. Retain 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 the organization has a comprehensive policy and framework for an effective system of risk management and mechanisms for assessing its effectiveness.
2. Review the scope of internal and external audit's annual risk assessment processes and review audit plans based upon the risk assessments.

3. Review the scope of staff's review of risk management and obtain risk assessment reports at least annually.
4. Review the scope of any consultant's review of risk management.

System of Internal Controls

The Audit Committee will:

1. Ensure that 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 for the head of Internal Audit and review the Executive Director's performance evaluation, annual compensation, and salary adjustments of the head of Internal Audit.
3. Assure and maintain, through the organizational structure of the organization 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. Recommend for Board approval the annual internal audit plan.
8. Receive and review all Internal Audit reports and management letters.
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 compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

11. On a regular basis, 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 Audit Committee 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 (SAO) 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 hired 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 counsel 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 policy 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 policy to all affected parties and for monitoring compliance therewith.
7. Review the daily valued funds operations policy every three years, and monitor any errors that impact the daily valued fund 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 general counsel the status of legal matters that may have an effect on the financial statements.

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 every three years.
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 that 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

