

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 10.161

EFFECTIVE DATE: May 25, 2022

TITLE: Audit Committee Charter

SUPERSEDES: November 30, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED: May 4, 2022

I. Audit Committee Charter

A. Purpose of Committee

1. The purpose of the Audit Committee (Committee) is to assist the Board in fulfilling its oversight responsibilities for the following:
 - a) The financial reporting process;
 - b) The system of internal control;
 - c) The audit process;
 - d) The Board's process for monitoring compliance with laws and regulations; and
 - e) The Board's code of ethics.

B. Committee Authority and Resources

1. The Committee has authority to conduct or authorize an investigation on any matters within its scope of responsibility. It is empowered to:
 - a) Select and retain outside counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, as it deems appropriate;
 - b) Seek any information it requires from Board employees, all of whom are directed to cooperate with the Committee's requests or external party requests on behalf of the Committee; and
 - c) Meet with Board management or other external parties, as necessary.

C. Committee Membership

1. The Committee shall consist of at least three (3) members of the Board.
2. The Board Chair shall:
 - a) Appoint members;
 - b) Notify the Board of all appointments as they are made; and
 - c) Designate one (1) member of the Committee as chairperson.
3. The Board Chair may remove a committee member at any time and appoint a replacement, provided the Board Chair notifies the Board of the removal and the reasons at the time of the removal.

D. Committee Meetings

1. The Committee shall meet at least twice a year, with authority to convene additional meetings, as circumstances require.
2. Committee members are expected to attend each meeting in person or by alternative electronic

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means.

3. The Committee may hold meetings with auditors without staff present.
4. Minutes shall be prepared.
5. The Committee may invite members of management, auditors, or others to attend meetings and provide pertinent information.

E. Board Staff Duties and Responsibilities

1. In consultation with the Committee Chair, Board staff shall prepare meeting agendas which shall be provided in advance to committee members, along with appropriate briefing materials.
2. Board staff shall provide the Committee an updated committee checklist at each regularly scheduled meeting.

F. Committee Duties and Responsibilities

1. The Committee shall review with management and the external auditors:
 - a) Financial Statements, including:
 - (1) The results of the audit, including any difficulties encountered;
 - (2) Significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas;
 - (3) Recent professional and regulatory pronouncements and understand their impact on the financial statements;
 - (4) The annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
 - (5) Other sections of the annual report before release and consider the accuracy and completeness of the information;
 - (6) All matters required to be communicated to the Committee under generally accepted auditing standards; and
 - (7) Interim financial reports before filing with state agencies and constituent groups and consider whether they are complete and consistent with the information known to committee members.
 - b) Internal Control, including:
 - (1) The effectiveness of the Board's internal control systems, including financial reporting and information technology security and control; and
 - (2) The scope of internal and external auditors' review of internal control over financial reporting, and reports on significant findings and recommendations, together with management's responses.
 - c) External Audits, including:
 - (1) Reviewing any external auditors' proposed audit scope and approach, including coordination of audit effort with management.
 - (2) Reviewing the performance of the external auditors.
 - (3) Reviewing and confirming the independence of the external auditors.
 - (4) Meeting separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

- d) Compliance, including:
 - (1) 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.
 - (2) The findings of any examinations by regulatory agencies and any auditor observations.
 - (3) The process for communicating the code of ethics to Board personnel and for monitoring compliance therewith.
 - (4) Regular updates from management regarding compliance matters.
 - (5) A written response from Board staff if any audit contains findings, deficiencies, or recommendations.
- e) Reporting Responsibilities, including:
 - (1) Providing an open avenue of communication between the external auditors and the Board.
 - (2) Reporting at least annually to the Board how the Committee has fully discharged all responsibilities for the period being reported.
 - (3) Reviewing any other reports the Board issues that relate to committee responsibilities.
- f) Securities and Litigation Policy, including:
 - (1) Authorizing the commencement of separate litigation or filing of motion for lead plaintiff or co-lead plaintiff status or support for another's application for lead plaintiff status.
 - (2) Approving settlement of separate litigation or class action in which the Board is lead plaintiff or co-lead plaintiff.
 - (3) Authorizing opting out of a class settlement.
 - (4) Authorizing filing of objections and comments on settlements.
 - (5) At least annually, receiving and reviewing staff reports on the status of matters other than passive claim filings.
- g) Other Responsibilities, including:
 - (1) Reviewing on an annual basis the custodial bank's rating from at least two (2) nationally recognized statistical rating organizations.
 - (2) Reviewing and assessing the adequacy of the committee charter annually, requesting Board approval for proposed changes.
 - (3) Performing other activities related to the committee charter as requested by the Board.

G. The Committee shall keep the Board informed on a timely basis on actions taken, recommendations, and decisions made by the Committee.