

Audit Committee Charter – Approved at the January 10, 2012 NHRS Board meeting.

The Board of Trustees has adopted this Audit Committee Charter. The Committee shall review and evaluate this Charter as necessary and make recommendations to the Board.

Purpose

The purpose of the Audit Committee of the Board of Trustees is to assist the Board of NHRS in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit processes, and the process for monitoring compliance with laws, 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 consistent with RSA 100-A. It is empowered to:

- Select a qualified independent auditor to conduct audits pursuant to RSA 100-A:15, VI;
- Resolve any disagreements between management and the internal or external auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services;
- Recommend independent counsel, accountants, or others to the full Board for final approval to advise the committee or assist in the conduct of a fiduciary review or an investigation;
- Seek any information it requires from employees (all of whom are directed to cooperate with the Committee's requests) or external parties, and;
- Meet with officers, internal and external auditor as necessary.

Composition

The Audit Committee will consist of no more than five members of the Board of Trustees; with the State Treasurer being a permanent member.

Meetings

The Audit Committee will meet at least three times a year, with authority to convene additional meetings, as circumstances require.

Responsibilities

The Audit Committee will execute the following responsibilities:

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 internal and external auditors the results of their respective audits, 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 auditor all matters required to be communicated to the Committee under Generally Accepted Auditing Standards, and;
- 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 internal control system, including information technology security and control, and;
- 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:

- Review with the Executive Director and the Internal Auditor the charter, plans, activities, staffing, and of the annual work plan for the internal audit function;
- Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, and;
- On a regular basis, meet with the Executive Director and Internal Auditor to discuss any matters that should be brought before the Committee.
- Provide input for the Executive Director to consider when preparing the Internal Auditor's annual performance review.

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 NHRS, including non-audit services, and discussing the relationships with the auditors.

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 personnel, and for monitoring noncompliance therewith, and;
- Obtain regular updates from the Executive Director or Internal Auditor regarding compliance matters.

Reporting Responsibilities:

- Regularly report to the Board of Trustees about Audit Committee activities, issues, and related recommendations
- Provide an open avenue of communication between the Internal Auditor, the external auditors, and the Board of Trustees; and,
- Review any other reports NHRS issues that relate to Audit Committee responsibilities.

Other Responsibilities:

- Perform other activities related to this Charter as requested by the Board of Trustees;
- Institute and oversee special investigations, as needed, and;
- Review and assess the adequacy of the Audit Committee charter annually, and ensure appropriate disclosure as may be required by law or regulation.