

SOUTH DAKOTA INVESTMENT COUNCIL

AUDIT COMMITTEE CHARTER

MISSION

The mission of the Audit Committee is to oversee the audit engagement, review the financial statements, and assess adequacy of internal controls.

COMPOSITION

The Audit Committee shall consist of at least three of the eight voting members of the South Dakota Investment Council (Council). Audit Committee (Committee) members and Committee Chair are appointed annually by the Council Chair.

SCOPE

The audits overseen relate to the investment assets of the Cash Flow Fund, Dakota Cement Trust, Education Enhancement Trust, Healthcare Trust and School & Public Lands. The internal control assessments relate to all funds under management, ~~which includes including~~ the investment assets of the South Dakota Retirement System (SDRS).

RESPONSIBILITIES

1. Annual Audit:
 - ~~a)~~ Meet with the Department of Legislative Audit (DLA) for opening conference to review and approve the annual audit engagement. The ~~Audit~~ Committee Chair and management sign the engagement letter. The ~~Audit~~ Committee Chair, management, and legal counsel sign respective representation letters.
 - ~~2- b)~~ Discuss with DLA any findings identified, with analysis and recommendation, affecting the financial statements or the calculation of investment performance incentives. Management will provide a response to any such finding to be included in the audit. In addition, management will provide to the Committee any additional relevant information on the finding, the plan to rectify, and when the finding has been reasonably resolved. Discuss issues identified during audit process affecting the annual financial statements or the calculation of investment performance incentives.
 - ~~3- c)~~ Review Audit Report and present to the Council, including any audit findings.
2. Agreed Upon Procedures (AUP):
 - ~~a)~~ Establish and take responsibility for selecting the criteria for the ~~quarterly agreed upon procedures~~ AUP engagement (first three quarters of the fiscal year) performed by DLA ~~Legislative Audit and discuss any findings~~. The ~~Audit~~ Committee Chair and management sign the engagement letter. The AUP is a confidential document restricted to the use of the audit committee and management.
 - ~~b)~~ Discuss with DLA and management any findings resulting from the AUP. Management will provide a response to the Committee to reasonably address the finding.
 - ~~c)~~ Advise the Council of completion of the AUP. The Committee should communicate to the Council if there were findings and if any such findings were reasonably and satisfactorily addressed by management. If dissatisfaction is indicated, management should be provided an opportunity to address the issue with the Council. Council discussion involving confidential information or personnel matters should be conducted in executive session.
- ~~4-3.~~ Report suspected criminal matters to the Council Chair, or Vice-Chair if the Chair is involved, and to the State Investment Officer (SIO) if the SIO is not involved. The Council Chair shall report or direct the SIO to report the matter to the Attorney General and Auditor General.
- ~~5-4.~~ Review ~~Fraud~~ Risk Management Assessment.
- ~~6-5.~~ Review investment related sections of SDRS audit prepared under the direction of and for the SDRS Board of Trustees.

7.6. Request additional information as needed.

RELEVANT LAWS

SDCL 4-5-35. Post-audit of investment transactions – Annual report of auditor-general. The state auditor-general shall be responsible for conducting a continuous post-audit of the investment transactions of the state, and shall submit annually a special report on his findings to the state investment council and to the appropriate legislative committee.

SDCL 4-11-2. Annual audit of state accounts—Scope. The Department of Legislative Audit shall perform an annual financial and compliance audit of the State of South Dakota in accordance with generally accepted government auditing standards. The scope of the audit shall include all state officers, departments, agencies, boards, commissions, penal, charitable, and educational institutions, and all regulatory boards and commissions receiving funds by appropriation or that expend funds pursuant to state law. In addition, the Department of Legislative Audit may perform financial and compliance audits of individual state officers, departments, agencies, boards, commissions, penal, charitable, and educational institutions, and all regulatory boards and commissions receiving funds by appropriation or that expend funds pursuant to state law, if deemed necessary and in the public interest by the auditor-general.

Committee est 11/1999, Charter adopted 11/2002
Amended 12/9/14, 11/17/15, 11/16/17, 4/19/18