

APPENDIX U

Audit Committee Charter of the University of North Carolina Board of Governors**I. Background**

All constituent institutions of the University of North Carolina, including UNC General Administration, are required by State law to have their financial audit conducted by the North Carolina Office of the State Auditor. Historically, the Office of the State Auditor has not performed non-audit services, including those prohibited by the Sarbanes-Oxley Act. The Office of the State Auditor determines staff assignments for individual audits, including rotation of Audit Managers for each audit client.

II. Purpose

To assist the UNC Board of Governors in fulfilling its responsibilities related to: ensuring that each constituent institution has an effective and independent internal audit function; ensuring that each constituent institution has an appropriate focus on ethical standards; ensuring compliance with General Statute 116-30.1; and ensuring compliance with UNC Board of Governors mandated requirements related to University-Affiliated Entities.

III. Organization

The Audit Committee shall be a standing committee of the UNC Board of Governors. The Chairman of the Board of Governors will select members of the Committee. There shall be a minimum of six (6) members. Each Committee member must be independent of management and free of any relationship that would impair such independence. Members may not receive consulting, advisory, or other fees from any of the constituent institutions or UNC General Administration.

If practicable, at least one member of the Committee should be a financial expert. A financial expert is someone who has an understanding of generally accepted accounting principles and financial statements, preferably relative to higher education; experience in applying such principles; experience in preparing, auditing, analyzing, or evaluating financial information; experience with internal controls and procedures for financial reporting; or an understanding of the audit committee function. If feasible, the role of financial expert will be rotated on an annual basis.

IV. Meetings

The audit committee shall meet no fewer than four (4) times a year. The Committee will invite representatives of the constituent institutions, external and internal auditors, representatives of the Office of the State Auditor, legal counsel, and others to attend the meetings and to provide pertinent information as requested.

V. Duties and Responsibilities

The following shall be the principal duties and responsibilities of this Committee:

- Monitor the internal control, management staffing, and audit finding resolution requirements set out in General Statute 116.30.1.
- Review the annual financial audits of the constituent institutions and other significant audit related communications from the State Auditor's Office or other external audit groups.
- Request an annual overview from the State Auditor or a designated representative.
- Review and approve an annual summary of the internal audit plans submitted by each constituent institution's and UNC General Administration's Director of Internal Audit.
- Review an annual summary of the work performed by the Audit Committee of each institution's Boards of Trustees. This summary should incorporate a summary report of the audits, reviews, investigations or special assignments completed by each constituent institution's and UNC General Administration's internal audit department. This report should also contain identified material reportable conditions and how they were resolved.
- Be available to meet during the year with the State Auditor or his staff for consultation purposes or to discuss the Auditor's judgments about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a constituent institution's or UNC General Administration's financial statements.
- Serve as the Audit Committee for the UNC General Administration Internal Auditor.
- Review an annual report on University-Affiliated Entities.
- Develop and maintain a system-wide code of ethics.
- Participate, when necessary, in training sessions related to system-wide internal controls and internal/external audit issues.
- Request, as needed, that the State Auditor rotate the Audit Manager assigned to a constituent institution or UNC General Administration financial statement audit.
- Consult with the UNC General Administration Legal Counsel to review any legal matters that may have a significant impact on a constituent institution's or UNC General Administration's financial statements, overall financial performance, or compliance with applicable state, local or federal statutes.

The Committee may modify or supplement these duties and responsibilities as needed.

The Committee shall have the authority to engage, in accordance with state rules and regulations, independent counsel or other advisors as necessary to carry out its duties. UNC General Administration shall provide appropriate funding, as determined by the Committee, for payment to advisors employed by the Committee.

The Committee, with the assistance of the appropriate Vice President, should periodically review and assess the adequacy of the Audit Committee Charter.