

Approval of Audit Committee Charter

The recommendations approved by the Best Financial Practices Task Force as adopted by the Board of Governors at the November 2005 meeting included the establishment of an Audit Committee. The Audit Committee developed a charter setting forth the responsibilities of the Committee. The Audit Committee Charter was approved by the Board of Governors in February 2006. One provision of the Audit Committee Charter is that “the Committee, with the assistance of the appropriate Vice President, should periodically review and assess the adequacy of the Audit Committee Charter.”

Based on review of the attached Audit Committee Charter for UNC General Administration, revisions have been made and highlighted in red for your consideration. The Charter and the revisions noted within will be discussed at the April meeting. It is recommended that changes to the Audit Committee Charter be approved at the Audit Committee meeting in June and presented to the full Board of Governors for their approval at that same meeting.

Audit Committee Charter of the University of North Carolina Board of Governors

I. Background

All special responsibility constituent institutions of the University of North Carolina, including UNC General Administration, are required by State law to have their financial audit conducted annually by either the North Carolina Office of the State Auditor or a certified public accountant (CPA). 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:

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold

Formatted: Centered, Space After: 0 pt

Item 1

Formatted: Right

- Monitor the internal control, management staffing, and audit finding resolution requirements set out in General Statute 116.30.1. [Statutory requirement]
- 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. [Section 301 of The Code]
- Request an annual overview from the State Auditor or a designated representative. [Section 301 of The Code]
- 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. [Section 301 of The Code]
- Review an annual summary of the work performed by the Audit Committee of each institution's Boards of Trustees. [Section 301 of The Code] 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, or the engaged CPA firm or its staff, for consultation purposes or to discuss the Auditor's or firm'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. [General Statute 143-745 to 143-747]
- Review an annual report on University-Affiliated Entities. [Section 301 of The Code]
- ~~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 or that the engaged CPA firm rotate the partner 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.

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold

Formatted: Centered, Space After: 0 pt

[Item 1](#)

Formatted: Right

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.

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold

Formatted: Centered, Space After: 0 pt