

**2. Annual Report on the Audit Committee.....Lynne Sanders**

**Situation:** Annually, a report on the activities of the Audit Committee is presented to the Board of Governors.

**Background:** Under the UNC Policy Manual, the Code Chapter III, Section 302E, "Each standing committee shall make a written report to the Board of Governors at least annually, reviewing the work of the committee during the preceding year."

**Assessment:** The Annual Report on the activities of the Audit Committee for fiscal year 2013-2014 is presented.

**Action:** This item is for information only

# Annual Report for 2013-2014

## Audit Committee

The Audit Committee is responsible for reviewing annual audit reports issued by the Office of the State Auditor as well as other audit reports of the constituent institutions and associated entities of the University, reviewing and approving a summary of the internal audit plans and work of the audit committees of the constituent institutions, serving as the Audit Committee for the UNC General Administration internal auditor, meeting with the State Auditor annually, and taking such other actions as are necessary or appropriate to assure the integrity of the finances of the University. This report summarizes the work of the Audit Committee from July 2013 through June 2014.

The list below shows the membership of the committee at the beginning of this period.

Fred Eshelman, Chair

Scott Lampe, Vice Chair

Dick Taylor, Secretary

Roger Aiken

Lou Bissette

Tommy Harrelson

Rodney Hood

Marty Kotis

Joan Perry

### Review of Audit Reports of the Constituent Institutions

The Office of the State Auditor performs audits of all Universities in the UNC system.

- All financial statement and statewide federal compliance audits for the fiscal year ending June 30, 2013 have been completed and released.
- Results of all financial statement audits reported two audit findings at one institution. Statewide federal compliance audits were performed at seven institutions. Results of these audits reported nine findings across five institutions. In total, eleven findings were reported for the 2013 fiscal year. Previous years' financial statement and statewide federal compliance audit findings were as follows: eleven in 2012, three in 2011, eight in 2010, twenty-seven in 2009 and thirty-eight in 2008. Since 2008, there has been a significant reduction (71%) in findings reported across the University.

- In addition to financial statement and statewide federal compliance audits, the Office of the State Auditor issued five investigative audits and one performance audit, reporting a total of eight findings and four findings, respectively.

#### Review of the Internal Audit Plans of the Constituent Institutions

During the year, the Audit Committee reviewed and approved the internal audit plans from all seventeen constituent institutions and the plan for UNC General Administration.

#### Review of a Summary of the Work of the Internal Auditors of the Constituent Institutions

The Audit Committee reviewed a summary of the results of the work of the campus internal auditors from the prior year.

#### Review of UNC-GA Internal Audit Charter

The Audit Committee reviewed and updated the Internal Audit charter. The charter will continue to be reviewed annually.

#### Review of Reports from UNC-GA Internal Audit

Four internal audit reports were completed and released for UNC General Administration:

- UNC-TV Pcard Review (Released 8/20/2013)
- Investigation of Improper Use of Pcard and Missing Property Concerns at UNC-TV (Released 4/25/2014)
- Internal Audit of Carry Forward Funds (Released 6/13/2014)
- Internal Audit of Petty Cash Funds (Released 6/13/2014)

A review of UNC-GA's Self-Assessment of Internal Controls over Financial Reporting for FY14 was also performed.

#### Review of Summary of Annual Financial Audit Reports and Findings of University Associated Entities

The Audit Committee received an annual update on the status of the audits performed on each institution's associated entities. All one hundred nine associated entities provided audit reports as required.

### Meeting with the State Auditor

In November 2013, State Auditor Beth Wood met with the Audit Committee to provide an overview of the duties and responsibilities of the Office of the State Auditor as well as to provide an overview of the University audits performed by her office for fiscal year 2012. In addition, she gave an overview of areas that would be audited for fiscal year 2013. Auditor Wood indicated that her office streamlined the process of releasing the Universities' financial statement audits, and in the future, she would be able to give her report to the Audit Committee sooner than in previous years. In keeping with that commitment, in June 2014, Auditor Wood met with the Audit Committee once again to provide an overview of the University audits performed by her office for the fiscal year 2013. In addition, she gave an overview of areas that would be audited for fiscal year 2014.

### Review of Audit Committee Charter

The Audit Committee reviewed its charter and made changes based on legislative actions and the changing needs of the Committee. Requirements set forth in the charter are being met by the audit committee.

### Presentation of the Internal Audit Shared Services Study

In January 2014, the results of the internal audit shared services study was presented to the audit committee. The study outlined the resources needed to address risks of the University as well as the most effective mode of delivery of internal audit services across the system. Progress was made in implementing recommendations outlined in the study. Specifically, the Best Practices Manual was completed and is available for the University internal audit community. In addition, key performance indicators for internal audit have been identified and information is currently being collected for reporting in the 2014-15 year.