

2. Annual Report of the Audit Committee, 2014-15 ..... 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 2014-15 is presented.

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

## Audit Committee

### Annual Report for 2014-15

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 UNC General Administration (UNC-GA), 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 2014 through June 2015.

The list below shows the membership of the committee during this period.

Ed McMahan, Chair  
Rodney Hood, Vice Chair  
Marty Kotis, Secretary  
Roger Aiken  
Anna Nelson

#### Audit Reports of the Constituent Institutions

The Office of the State Auditor performed audits of all universities in the UNC system.

- All financial statement and statewide federal compliance audits for the fiscal year ending June 30, 2014 had been completed and released.
- Results of the financial statement audits reported one audit finding at one institution. Statewide federal compliance audits were performed at nine institutions. Ten findings were reported across five institutions. In total, 11 findings were reported for the 2014 fiscal year. Previous years' financial statement and statewide federal compliance audit findings were as follows: 11 in 2013, 11 in 2012, 3 in 2011, 8 in 2010 and 27 in 2009. Since 2009, there had been a significant reduction in audit findings reported across the University.

#### 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-GA.

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

The Audit Committee reviewed a Summary of Internal Audit Activities for FY2014.

### Internal Audit Charter

The Audit Committee reviewed and updated the Internal Audit Charter in May 2015. The charter would continue to be reviewed annually.

### Reports from UNC-GA Internal Audit

Three internal audit reports were completed and released for UNC-GA:

- Follow-up – Financial Records and Human Resources System User Access Controls (Released 7/9/2014)
- Follow-up – UNC-TV Purchase Card Usage (Released 7/9/2014)
- Follow-up – President, Vice Presidents, and Chief of Staff Expenses (Released 7/9/2014)

### 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 109 associated entities provided audit reports as required.

### Meeting with the State Auditor

In April 2015, 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 2014. In addition, she gave an overview of areas that would be audited for fiscal year 2015.

### Risk Management and Compliance

The Audit Committee began discussions about the development of a Risk Management and Compliance Program for the University. Staff at UNC-GA began their initial work on the project and reported progress to the committee.

### Audit Committee Charter

The Audit Committee reviewed its charter in February 2015, and made changes based on legislative actions and the changing needs of the Committee. Requirements set forth in the charter were being met by the Audit Committee.