

**THE UNIVERSITY OF NORTH CAROLINA AT PEMBROKE**  
**BOARD OF TRUSTEES**  
**AUDIT AND ETHICS COMMITTEE**  
**AUDIT COMMITTEE CHARTER**

**I. PURPOSE**

The purpose of the Audit Committee is to assist The University of North Carolina at Pembroke (UNCP) Board of Trustees in fulfilling its responsibilities related to:

- Integrity of the university's financial statements and other financial reporting
- Adequacy and effectiveness of systems of internal control
- Independence and performance of the external and internal audit functions
- Sufficiency of the university's process to manage business and financial risk

The Audit Committee's duties do not replace or duplicate established management responsibilities and delegations. Instead, the Audit Committee serves in an advisory capacity to guide the direction of management's actions and sets broad policy for ensuring accurate financial reporting, sound risk management, and ethical behavior.

**II. ORGANIZATION**

The Audit Committee shall be a standing committee of the UNCP Board of Trustees (the Board). The Chair of the Board will select members of the Audit Committee. There shall be a minimum of four (4) members. Each Audit Committee member must be independent of management of the university and free of any relationship that would impair such independence. Members may not receive consulting, advising or other fees from the university. If possible, at least one member should be a financial expert, and the other members should be able to understand financial information and statements. A financial expert is someone who has an understanding of generally accepted accounting principles and financial statements; 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.

### **III. MEETINGS**

The Audit Committee shall meet at least four (4) times a year and hold additional meetings as circumstances require. The Audit Committee will invite members of management, auditors, legal counsel, and others to attend the meetings and to provide pertinent information as requested. The Audit Committee may request to meet privately with the Director of Internal Audit. Minutes of the meetings shall be maintained.

### **IV. DUTIES**

The Audit Committee's principal audit-related duties and responsibilities shall be the following:

- A. Monitor internal control systems at the university through reports of the activities of the internal and external auditors.
- B. Review the audit engagement letter and other significant audit related communications from the State Auditor's Office. The State Auditor will be directed to copy the Audit Committee on any such communications.
- C. Review and approve the Office of Internal Audit Charter, audit schedules, goals, annual plans, and the annual financial report.
- D. Confirm with the Director of Internal Audit efforts to coordinate the work of the Office of Internal Audit and other external auditors to ensure complete audit coverage, reduce duplication of work, and use audit resources effectively.
- E. Review internal audit reports and summaries of external and internal audit activities.
- F. Review and resolve any significant disagreement between management and the State Auditor's Office, the Office of Internal Audit, or other external auditors in connection with the preparation of the financial statements or with other audits.
- G. Review with management and the Director of Internal Audit, the adequacy and effectiveness of the university's business, financial and information systems controls, and recommend new or enhanced controls or procedures.
- H. Consult with the General Counsel to review any legal matters that may have a material impact on the university.
- I. Oversee the university's mechanisms for receiving, resolving, and retaining records of complaints, regarding accounting, internal control, and auditing matters as well as receive briefings from management or the Director of Internal Audit regarding any significant complaints or misuse of State property.

- J. Consult with the Chancellor regarding the selection and removal of the Director of Internal Audit.
- K. Be available to meet with the State Auditor or his/her staff and other external auditors for consultation purposes or to discuss judgments about the quality, not just the acceptability, of the university's accounting principles and underlying estimates in its financial statements.
- L. Request supplemental reviews or other audit procedures by the Office of Internal Audit, the Office of the State Auditor, or other advisors. The university shall provide appropriate funding as determined by the Audit Committee for payment to advisors employed by the Committee.
- M. Provide a direct channel of communication to the full Board for the Director of Internal Audit and the State Auditor.
- N. Review and forward with recommendations to the full Board significant management initiatives involving financial statements and financial reporting matters.
- O. Annually review management's processes with respect to institutional risk management.
- P. Review and assure the internal audit function has appropriate budget and staff resources.
- Q. Meet privately with the Director of Internal Audit as deemed necessary.

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

The Committee, with the assistance of the Director of Internal Audit, should periodically review and assess the adequacy of the Audit Committee Charter.