AGENDA
Audit Committee
ECU Board of Trustees
Allied Health Lobby, LAHN Building
July 25, 2006

I. Audit Committee Duties and Responsibilities  Information

II. Organizational meeting  Discussion

III. Internal Audit Reports  Discussion

IV. Internal Audit Quarterly Report  Information
    (to be sent via email)
East Carolina University  
Audit Committee Charter  
05/05/06

**Background**

All constituent institutions of the University of North Carolina (UNC) 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.

**Purpose**

To assist the East Carolina University Board of Trustees in fulfilling its oversight responsibilities for (1) the integrity of the University’s financial statements, (2) the University’s compliance with legal, regulatory, and ethical requirements, (3) the performance of the University’s internal audit function, and (4) the University’s compliance with the Best Financial Practices Guidelines adopted by the UNC Board of Governors in November of 2005.

**Organization**

The Audit Committee shall be a standing committee of the ECU Board of Trustees and will consist of the Chairman, Vice Chairman, Secretary and three other members of the ECU Board of Trustees. Each Committee member must be independent of management and free of any relationship that would impair such independence.

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; experience in applying such principles; experience in preparing, auditing, analyzing, or evaluating financial information; experience with internal controls and procedures for financial reporting; and an understanding of the audit committee function. If feasible, the role of financial expert will be rotated on an annual basis.

**Meetings**

The audit committee shall meet at least four times a year and hold additional meetings as circumstances require. The Committee will invite representatives of management, auditors, legal counsel, and others to attend meetings and provide pertinent information as necessary. It will also hold private meetings with the Director of Internal Audit if deemed necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of the meetings will be prepared.
Duties and Responsibilities

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

Per UNC-BOG:

- Meet at least quarterly during the year.
- Review the results of the annual financial audit with the North Carolina State Auditor or his designated representative.
- Discuss the results of any other audit performed and report/management letter (i.e. information system audits, investigative audits, etc.) issued by the North Carolina State Auditor with either the State Auditor or his staff, the Director of Internal Audit, or appropriate campus official.
- For any audit finding contained within a report or management letter issued by the State Auditor, review the institution’s corrective action plan and receive a report once corrective action has taken place.
- Discuss the results of any audit performed by independent auditors and, if there were audit findings, review the institution’s corrective action plan and receive a report once corrective action has taken place.
- Review all audits and management letters of University Associated Entities as defined in section 600.2.5.2[R] of the UNC Policy Manual.
- Receive quarterly reports from the Director of Internal Audit that, at a minimum, reports material (significant) reportable conditions, the corrective action plan for these conditions and a report once these conditions have been corrected.
- The Director of Internal Audit reports to the Chancellor with a clear, recognized reporting relationship to the chair of the BOT Audit Committee.
- Receives, reviews, and approves the annual audit plan for the internal audit department, which is based upon the results of an institutional risk assessment, testing of internal controls and audits as outlined by the UNC General Administration. The audit tests or worked required by UNC-GA includes:
  - A review of the Internal Control Questionnaire issued by the North Carolina Office of the State Controller and completed by the divisional and departmental managers.
  - An audit of institutional flexibility expenditures for the year and a report forwarded to the Chancellor for their review.
  - Audit work related to compliance with the misuse of state property statute (G.S. 114-15.1).
  - Some level of testing of institutional compliance with state and federal rules and regulations.
  - Some of level of testing of receipts and expenditures.
  - Some level of testing of information and network systems general internal controls.
- Ensure that all internal audits were conducted in accordance with professional standards.
• Receive and review an annual summary of audits performed by the internal audit department.
• Forward copies of both the approved audit plan and summary of internal audit results to UNC General Administration in the prescribed format.

Other:
• Review and concur in the appointment, replacement, or dismissal of the Director of Internal Audit and the compensation package.
• Meet privately with the Director of Internal Audit as deemed necessary.
• Review and assure the internal audit function has appropriate budget and staff resources.
• Review and accept internal audit reports when issued.
• Periodically review and revise the internal audit charter as needed.
• Resolve disagreements between internal audit and management concerning audit findings and recommendations.

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

Approved:

_______________________________________ Date:_______________
Chairman
ECU Board of Trustees Audit Committee

_______________________________________ Date:_______________
Chief Auditing Executive
ECU Office of Internal Audit