

AUDIT COMMITTEE CHARTER FY25



**Eagle
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North Carolina Central University

Internal Audit Office
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James E. Shepard, Founder

**NORTH CAROLINA CENTRAL UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE CHARTER**

Effective: FY 2025

PURPOSE

To assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the university's process for monitoring compliance with federal and state laws and regulations and the code of conduct.

AUTHORITY

The Audit Committee (Committee) has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, and oversee the work of any external audit provider engaged by the organization.
- Resolve any disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all auditing services, including the implementation and use of new accounting or auditing software.
- Retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees - all of whom are directed to cooperate with the Committee's requests or with the requests of external parties advising the Committee.
- Meet with university officers, external auditors or outside counsel, as necessary.

COMPOSITION

The Committee will consist of at least three and no more than six members of the Board of Trustees. The board or its nominating committee will appoint committee members and the committee chair.

Each committee member will be both independent and financially literate. At least one member, if possible, shall be designated as the "financial expert". Financial literacy is the ability to understand fundamental financial information and statements. A financial expert is someone who has one or more of the following: an understanding of generally accepted accounting principles and financial statements preferably relative to higher education; experience applying such principles; experience preparing, auditing, analyzing, or evaluating financial information; experience with internal controls and procedures for financial reporting; and an understanding of the Audit Committee function.

MEETINGS

The Committee will meet at least quarterly during the year, with authority to convene additional meetings, as circumstances require. A majority of members must be present to provide a quorum. Minutes shall be recorded and maintained by the university.



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Prior to the meeting, the university's chief audit officer will provide committee members with information relating to the status of audit activities. Meeting agendas will be prepared and provided in advance to members along with appropriate information, such as audit and staffing plans, audit reports, audit follow-up and implementation of recommendations, management services, external audit reports and other relevant information.

The Committee will invite members of management, auditors or others to attend meetings to provide pertinent information as necessary. It will meet separately, periodically, with management, with internal auditors and with external auditors. It will also meet periodically in executive session.

RESPONSIBILITIES

The following shall be the principal audit-related duties and responsibilities of the Committee:

Financial Statements

- a. Review with management and the external auditors the results of the audit, including any difficulties encountered, as well as all matters required to be communicated to the Committee under Generally Accepted Auditing Standards (GAAS). This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.
- b. Review and discuss the annual audited financial statements with management and the external auditors, considering whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.
- c. Review disclosures made by the Vice Chancellor of Administration and Finance about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the University's internal controls.
- d. Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

Internal Control

- a. Consider the effectiveness of the university's internal control system, including information technology security and control.
- b. Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.
- c. Obtain regular updates from management and University legal counsel regarding compliance matters.

Internal Audit

- a. Receive quarterly reports from the university's chief audit officer that, at a minimum, reported material (significant) reportable conditions, the institution's corrective action plan for these conditions and a report once these conditions have been corrected.
- b. Recognize a clear functional reporting relationship of the chief audit officer to the chair of the Audit Committee or his/her designee.
- c. Review and determine that the University's internal audit department has a charter that clearly outlines its roles and responsibilities.



- d. Receive, review and approve, at the beginning of the audit cycle, the annual audit plan for the internal audit department.
- e. Receive and review an annual summary of the audits performed by the internal audit department.
- f. Confirm that the university's chief audit officer forwards Committee-reviewed copies of both the approved audit plan and the summary of the internal audit results to UNC System Office in the prescribed format.
- g. Review internal audit reports and determine that management is addressing/correcting issues.
- h. Consult and concur with the appointing authority regarding the appointment of the chief audit officer, ensuring there are no unjustified restrictions or limitations and receive timely notice by the appointing authority of his replacement or dismissal.
- i. On a regular basis, meet separately with the chief audit officer to discuss any matters that the committee or internal audit believes should be discussed privately.
- j. Review with the chief audit officer the internal audit budget, resource plan, activities and organizational structure of the internal audit function.
- k. At least once a year, review the performance of the chief audit officer and concur with the annual compensation and salary adjustment as set forth in the university's annual budget.
- l. Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.

External Audit

- a. Review the results of the annual financial audit with representatives of the North Carolina Office of the State Auditor (OSA) and discuss corrective actions, if needed.
- b. Review the results of any other audit performed and report/management letter (i.e. investigations, Statewide Federal Compliance Audit Reports, etc.) issued by the OSA with representatives from that office, the chief audit officer and/or appropriate campus official.
- c. For any audit finding contained within a report or management letter issued by the OSA, review the institution's corrective action plan and the report of the internal auditor on whether or not the institution has made satisfactory progress in resolving the deficiencies noted, in accordance with North Carolina General Statute 116-30.1 as amended.
- d. Review all audit and management letters of University Associated Entities as defined in Section 600.2.52[R] of the UNC Policy Manual.
- e. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- f. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- g. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- a. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including recommending disciplinary action) of any instances of noncompliance.
- b. Review the findings of any examinations by regulatory agencies, and any auditor observations.
- c. Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.



- d. Obtain regular updates from management and university legal counsel regarding compliance matters.

Reporting Responsibilities

- a. Prepare and forward to the board of governors, an annual summary of the work performed by the Audit Committee, including a report of the work of the University internal auditor which indicates any identified material reportable conditions and how they were addressed.
- b. Regularly report to the board of trustees about Audit Committee activities and issues that arise with respect to the quality or integrity of the University's financial statements, the University's compliance with legal or regulatory requirements, the performance and independence of the University's independent auditors, and the performance of the internal audit function.
- c. Provide an open avenue of communication between internal audit, the external auditors, and the Board of Trustees.
- d. Review any other reports the University issues that relate to committee responsibilities.

Other Responsibilities

- a. Assure that the University is performing self-assessments of operating risks and evaluations of internal controls on a regular basis.
- b. Discuss with management the University's major policies with respect to risk assessment and risk management.
- c. Perform other activities related to this charter as requested by the Board of Trustees.
- d. Institute and oversee special investigations as needed.
- e. Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- f. Confirm annually that all responsibilities outlined in this charter have been carried out.
- g. Evaluate the committee's and individual members' performance at least annually.

It is resolved; by the Board of Trustees of North Carolina Central University, that the Audit Committee Charter is adopted.

Reviewed and approved by:

Chairman of the Audit Committee
Board of Trustees

Date

Chancellor
North Carolina Central University

Date

