1 Introduction

1.1 Appalachian State University has chosen to use the North Carolina Office of the State Auditor (the "State Auditor") to conduct its annual financial audits. The State Auditor determines staff assignments for individual audits, including rotation of Audit managers for each audit client. In addition, constituent institutions have internal audit departments to address the institution's operating risks and internal controls, review the effectiveness and efficiencies of programs, conduct investigative audits when necessary, and perform other audit-related activities. The UNC Board of Governors has required that the Board of Trustees of each UNC constituent institution have an active committee generally responsible for audit activities and reporting to the Board of Trustees and UNC Board of Governors.

2 Scope

2.1 The primary purpose of the Audit Committee (the "Committee") of the Appalachian State University Board of Trustees (the "ASU Board") is to assist the ASU Board in fulfilling its oversight responsibilities for (1) the integrity of the financial statements of Appalachian State University (the "University"), (2) the performance of the University's internal audit function, and (3) the assurance that the University is performing self-assessments of operating risks and evaluations of internal controls on a regular basis.

3 Definitions

3.1 Financial Expert

is someone who has an understanding of generally accepted accounting principles and financial statements

3.2 DIA

Director of Internal Audits

4 Policy and Procedure Statements

4.1 Authority

4.1.1 The Audit Committee of the ASU Board has authority to conduct or authorize investigations into any matters within its scope of responsibility, including resolving any disagreements between University administration and the auditor regarding financial reporting and any audit findings and recommendations.

4.2 Organization

4.2.1 The Committee shall be a standing committee of the ASU Board consisting of at least three (3) and no more than five (5) members of the ASU Board. Each Committee member must be (1) independent of the University's
administrative and executive officers and (2) free of any relationship that would impair such independence. 4.2.2 If possible, at least one member of the Committee must be a financial expert; the other members should be able to understand financial information and statements. For this purpose, a "http://policy.appstate.edufinancial expert"http://policy.appstate.edu 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. It is desirable for the role of financial expert to be rotated no less frequently than biannually. The members of the Committee shall be selected in the same manner as other committees of the ASU Board.

4.3 Meetings

4.3.1 The Committee shall meet at least four (4) times a year and may hold additional meetings as circumstances require. The Committee will invite representatives of University administration, auditors, legal counsel, and others to attend meetings and provide pertinent information as necessary. It will also hold private meetings with the University's Director of Internal Audit (the "http://policy.appstate.eduDIA"http://policy.appstate.edu) if deemed necessary. Meeting agendas shall be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of the meetings shall be prepared.

4.4 Duties and Responsibilities

4.4.1 The principal duties and responsibilities of the Committee shall be as follows:

1. Meet at least four times during the year.
2. Review the results of the University's annual financial audit with the State Auditor or a designated representative thereof.
3. Discuss the results of any other audit performed and report/management letter (e.g., information system audits, investigative audits, etc.) issued by the State Auditor with the State Auditor or his staff, the DIA, or the appropriate campus official(s).
4. 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.
5. 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.
6. Review all audit reports and management letters issued with respect to entities associated or affiliated with the University.
7. Institute and oversee special investigations as needed.
8. Have a functional reporting relationship with the DIA to enable the DIA to meet privately to discuss professional issues freely with the Committee and its chairperson, even though the DIA also will report administratively to the Chancellor.
9. Receive quarterly reports from the DIA that, at a minimum, report material (significant) reportable conditions and the corrective action plan for these conditions.
10. Receive, review, and approve a summary of the annual internal audit plan for the University at the beginning of the annual audit cycle. The annual audit plan should be based upon the results of an institutional risk assessment, testing of internal controls, and audits.
11. Receive and review an annual summary of audits performed by the DIA's office and a comparison of the plan set forth at the beginning of the cycle to the audits actually performed.
12. Review internal audit reports when issued by the DIA.
13. Ensure that internal audit functions are conducted in accordance with professional standards, including assurance that the University is performing self-assessment of operating risks and evaluation of internal controls on a regular basis.

14. Review and consult with the Chancellor in the appointment, replacement, or dismissal of the DIA and the compensation package.

15. Resolve, or assist the ASU Board in resolving disagreements between the DIA and University administration concerning audit findings and recommendations.

16. Engage, in accordance with state laws, rules and regulations, independent counsel or other advisors if and as necessary to carry out its duties. The University shall provide funding as determined by the Committee, subject to the oversight of the ASU Board, for payment to any such advisors that may be engaged by the Committee.

17. Prepare and forward to the UNC Board of Governors an annual summary of the work performed by the Committee, including a report of the work of the University internal auditor that indicates any identified material reportable conditions and how they were addressed.

18. Confirm annually that all responsibilities outlined in this charter have been carried out as part of the annual internal assessment.

19. Perform such other duties and tasks as may be assigned or requested from time to time by the ASU Board.

4.5 Amendments

4.5.1 The Committee, with the assistance of the DIA and University legal counsel, should periodically review and assess the adequacy of this Charter, and prepare any suggested revisions or additions to the ASU Board for its consideration. Revisions or additions to this Charter shall be made and effective as approved by the ASU Board.

5 Additional References

6 Authority

7 Contact Information

8 Original Effective Date

Updated and approved by the Board of Trustees of Appalachian State University on March 22, 2013.

9 Revision Dates