



**NORTH CAROLINA SCHOOL OF
SCIENCE AND MATHEMATICS**

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| Title | AUDIT COMMITTEE CHARTER |
| Authority | Board of Trustees |
| History | Effective December 14, 2007 |
| Legal Reference | GS 143-746 |
| Additional References | |
| Responsible Offices | Chancellor, Internal Audit |
| Classification | 2110 |

I. PURPOSE

The Audit Committee Charter (Fiscal, Audit and Human Resources Committee) assists the Board of Trustees of the North Carolina School of Science and Mathematics (School) in fulfilling its responsibilities related to integrity of the School’s financial statements and other financial reporting, adequacy and effectiveness of systems of risk assessment and internal control, review of audit reports of the School’s associated entities, and independence and performance of the external and internal audit function. The Committee’s duties do not replace or duplicate established management responsibilities and delegations. Instead, the 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 Fiscal, Audit and Human Resources Committee, which serves as the audit committee of the Board of Trustees, shall be a standing committee of the Board of Trustees. The Chair of the Board will select members of the Committee for a term of one (1) year. There shall be a minimum of three (3) members. Each Committee member must be independent of management of The North Carolina School of Science and Mathematics and free of any relationship that would impair such independence. Members may not receive consulting, advising or other fees from the School. 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 Fiscal, Audit and Human Resources Committee shall meet no fewer than four (4) times a year. There shall be a minimum of three (3) members, and three (3) members participating in the meeting shall constitute a quorum for the audit committee function. The Committee will invite members of management, auditors, general counsel, and others to attend the meetings and to provide pertinent information as requested. The Fiscal, Audit and Human Resources Committee may request to meet privately with the Internal Auditor. Minutes of the meetings shall be maintained.

IV. DUTIES

The Fiscal, Audit and Human Resources Committee's principal audit-related duties and responsibilities shall include the following:

- A. Review internal control systems at the School and assure that the School is performing self-assessments of operating risks on a regular basis.
- 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 Committee on any such communications.
- C. Review the Audit Committee Charter annually and recommend changes to the full Board of Trustees.
- D. Review and approve audit schedules, goals, and the annual financial report. Confirm that the Internal Auditor coordinates with the State Auditor's Office to ensure complete audit coverage, reduce duplication of work, and use audit resources effectively.
- E. Review quarterly internal audit reports and summaries of external and internal audit activities.
- F. Review annual audit reports of the School's associated entities.
- G. Review and resolve any significant disagreement between management and the State Auditor's Office or the Internal Auditor in connection with the preparation of the financial statements or with other audits.
- H. Review with management and the Internal Auditor, the adequacy and effectiveness of the School's business, financial and information systems controls, and recommend new or enhanced controls or procedures.
- I. Consult with the General Counsel to review any legal matters that may have a material impact on the School's financial statements.
- J. Oversee the School's mechanisms for receiving, resolving, and retaining records of complaints regarding accounting, internal control, and auditing matters. Receive briefings from management or Internal Auditor regarding any significant complaints or misuse of State property.
- K. Consult with the Chancellor regarding the selection and removal of the Internal Auditor.
- L. Be available to meet with the State Auditor or audit staff for consultation purposes or to discuss the State Auditor's judgments about the quality, not just the acceptability, of the School's accounting principles and underlying estimates in its financial statements.
- M. Request supplemental reviews or other audit procedures by the Internal Auditor, the State Auditor, or other advisors when the circumstances dictate that further review is required. The School shall provide appropriate funding as determined by the Committee for payment to advisors requested by the Committee.
- N. Provide a direct channel of communication to the full Board for the Internal Auditor and the State Auditor.
- O. Report and forward with recommendations to the full Board significant management initiatives involving financial reporting matters.
- P. Prepare and forward through the Chancellor to the Board of Governors an annual summary of the work performed by the Audit Committee, including a report of the work of the Internal Auditor which indicates any identified material reportable conditions and how they were addressed.

The Committee may in consultation with the Chair of the Board of Trustees modify or supplement these duties and responsibilities as needed.