

**DREXEL UNIVERSITY  
BOARD OF TRUSTEES  
AUDIT COMMITTEE CHARTER**

The primary function of the Audit Committee is to assist the Board of Trustees in its oversight responsibilities. The Committee's principal activities will include:

- Oversight of the university's business risk assessment;
- Oversight of the University's grant activity;
- Oversight of the University's internal control structure;
- Review of the Internal Audit Department;
- Selection and retention of independent auditor's;
- Review of the annual audit plan; and
- Oversight of the University's financial reporting.

Oversight of the University's Internal Control Structure

Internal control is defined by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in its report: Internal Control- Integrated Framework as follows:

Internal control is "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations."

The Audit Committee will:

1. Review with management, the internal auditor and the independent auditor the adequacy and effectiveness of the University's business, financial and information system controls, and recommendations for establishing new or enhanced controls and procedures.
2. Consider the nature and disposition of relevant comments relating to weaknesses in the internal control structure appearing in the independent auditor's letter of recommendation, the reports of the Director of Internal Audit and reports of other organizations and government agencies.
3. Review the University's Code of Conduct and conflict of interest policy and the University's monitoring of their compliance.
4. Review policies and procedures with respect to Senior Management expense

accounts and perquisites, including their use of corporate assets. Review audits of these areas.

### Review of Internal Audit Department

The Audit Committee will:

1. Assure the independence of the Director of Internal Audit. This includes the following:
  - The Director of Internal Audit, with respect to his audit activities and findings, reports directly to the Audit Committee and has direct and unrestricted access to the Chairman and other Committee members.
  - The Committee will review and must approve of the appointment, reassignment, or dismissal of the Director of Internal Audit.
  - The Committee will review and approve of the compensation-salary, increases, and bonuses of the Director of Internal Audit and staff of Internal Audit.
  - The Committee will assure that adequate resources in terms of staff and budget are provided to Internal Audit to enable the department to effectively perform its responsibilities.
  - The Committee will review with the Director of Internal Audit the administrative reporting relationship to assure not only that independence is fostered but that adequate support is provided.
2. Review with the Director of Internal Audit the annual plan for the year and the results of the year's work. Changes to the annual plan will also be reviewed.
3. Receive and review reports and other work prepared by Internal Audit.
  - a. Review significant findings and management's responses thereto.
  - b. Review any difficulties encountered in the course of the department's work, including any restrictions on the scope of the work or access to required information.
4. Review and consider with the Director of Internal Audit management requests for unplanned assignments.
5. Review and approve the Charter for Internal Audit.

## Selection and Retention of Independent Auditors

The Audit Committee will:

1. Be responsible for the selection and reappointment of the Independent Auditor. Such independent auditor is ultimately accountable to the Board of Trustees and the Audit Committee.
2. Approve the compensation of the Independent Auditor and pre-approve any non-auditing services provided by the Independent Auditor. The Committee may delegate pre-approval authority to the Chairman subject to later review by the Committee. Such pre-approval of non-audit services is to be disclosed to the Board of Trustees at each Board meeting and disclosed in the University's annual report.
3. Provide oversight of the performance of the independent auditor and, where appropriate, replace such auditor.
4. Obtain annually from the independent auditor a formal written statement describing all relationships between the auditors and the University, consistent with Independence Board Standards. The Committee shall actively engage in a dialogue with the independent auditor with respect to any relationships that may impact the objectivity and independence of the auditor and shall take, or recommend that the Board take, appropriate actions to oversee and satisfy itself as to the auditor's independence.

## Review of the Annual Audit Plan

The Committee will meet with the independent auditors prior to each annual audit to discuss:

- The independent auditor's responsibilities under generally accepted auditing standards;
- The general nature of the audit procedures to be performed;
- The extent of reliance on the internal auditors;
- Any significant audit problems anticipated;
- The impact on the financial statements of any new or proposed changes in accounting principles; and
- Significant reporting deadlines.

## Oversight of the University's Financial Reporting

The Audit Committee will:

1. Review with management and the independent auditor the University's

annual financial statements, critical accounting policies and significant accounting and reporting issues underlying those statements, including the quality of the accounting principles applied and judgments made affecting the University's financial statements.

2. Review with the independent auditor the scope and results of their examination of the University's financial statements and any other matters related to the conduct of the audit which should be communicated to the Committee under Generally Accepted Auditing Standards.
3. Review with management and general counsel any legal matters (including the status pending litigation) that may have a material impact on the University's financial statements, and any material reports or inquiries from regulatory or governmental agencies.
4. Resolve differences between Management and the Independent Auditor regarding financial reporting.

### Membership

The Committee and its Chair shall be appointed by the Board of Trustees and shall consist of at least three members, all of whom shall be financially literate and one of whom shall have accounting or financial management expertise. Audit Committee members must be independent. They may not receive, directly or indirectly, consulting fees or other compensation from the University, or be affiliated with the University or any subsidiary.

### Meetings

The Committee shall meet at least twice a year to:

- a. Approve the selection or reappointment of the Independent Auditor and review the annual audit plan
- b. review the annual financial report and the results of the audit.

At these meetings the Committee will meet with the Director of Internal Audit, the independent auditor, and relevant members of management. At its discretion, it may meet with each in separate, private sessions. Additional meetings may be scheduled as required. Such meetings may be called by the Chairman or any two Committee members.

### Communications and Reporting

The Audit Committee will:

1. Provide an open avenue of communications between Internal Audit, the independent auditor, and the Board of Trustees.
2. Report Committee actions to the Board of Trustees with such recommendations as the Committee deems appropriate.

## Other

The Audit Committee will:

1. Review and assess the Committee's Charter annually and recommend any proposed changes to the Board of Trustees for approval.
2. Assist the Board of Trustees in fulfilling their oversight responsibilities for legal compliance.
3. Establish procedures for the receipt, retention and treatment of complaints received by the University regarding accounting, internal control or auditing.
4. Establish procedures to receive confidential anonymous submissions by faculty or employees of the University regarding questionable accounting or auditing.
5. The Audit Committee shall have the power to conduct or authorize investigations into matters involving errors and irregularities or any other matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of investigations.]
5. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the University and the power to retain outside counsel, or other experts for this purpose.
6. The Committee will perform such other functions as assigned by law, the University's Charter or Bylaws, or the Board of Trustees.