

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

July 12, 2006

A meeting of the Audit Committee of the Board of Regents was held on Wednesday, July 12, 2006 at 9:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Dallas Bohnsack, David Larson, and Patricia Simmons.

Staff present: Senior Vice President and Provost Thomas Sullivan; Vice President R. Timothy Mulcahy; Executive Director Ann Cieslak; and Associate Vice Presidents Steve Cawley, Gail Klatt and Michael Volna.

Student Representatives present: Joshua Colburn and Will Kellogg.

Frobenius welcomed Student Representatives Colburn and Kellogg to the committee.

**BOARD OF REGENTS FIDUCIARY RESPONSIBILITIES,
PART III**

Associate Vice President Klatt introduced Mark Chronister, Partner, and Christopher Michaelson, Director, PriceWaterhouseCoopers, for the final discussion in a series looking at trends regarding the fiduciary responsibilities of boards from a variety of perspectives.

Chronister indicated that the presentation would focus on governance in a general way for an audit committee and, specifically, a committee's role in risk assessment (materials distributed at the meeting and on file in the Board Office.) He emphasized several points: the importance of governance in public nonprofits, the legal responsibility of boards, and the importance of separating management and board responsibilities.

Chronister outlined a number of ways in which the focus of audit committees has changed, and the impact of and reaction to Sarbanes Oxley legislation on nonprofit organizations: expanded committee responsibilities; more frequent, longer meetings; revised charters; media scrutiny; more high-profile court cases; new regulatory rules; and increased stakeholder activism. He emphasized the importance of an audit committee communicating with the external auditor, effective conflict of interest policies, and the use of a code of conduct to set expectations and express the "tone at the top."

Michaelson discussed the institutional risk profile, "heat map," developed by the committee during the last year as an important tool to assist the committee in its oversight role and to support the administration. He reviewed a number of high-risk and high-impact strategic and financial risks and their importance.

Chronister stressed that risk assessment needs to be an ongoing process and encouraged the committee to continue to utilize information provided by those

monitoring and managing risk as a way to get the “tone at the top” understood throughout the University.

A copy of the presentation is on file in the Board Office.

INTERNAL AUDIT PLAN

Associate Vice President Klatt presented the 2006-07 Internal Audit Plan (Plan), as detailed in the docket and associated materials distributed at the meeting.

Klatt reported that the Department of Audits operates in three primary service areas: scheduled audit work, audit work requested by the administration, and investigations related to allegations of misconduct. The majority of staff time is spent on scheduled audit work, which provides assurance to the Board of Regents and offers assessment and educational value to the units receiving audit results.

Klatt stated that the development of the Plan is based on information gathered through broad consultation across the University and a formal assessment of existing and emerging risks, both internal and external. Current risks include: the implementation of the enterprise financial system (EFS); competition for resources resulting from the EFS and strategic positioning projects; financial management implications of the new budget model; and changes in key leadership positions. She summarized planned audit coverage by components and allocation of resources.

Klatt provided an update on the completion of the FY2006 Audit Plan and the metrics used to assess the internal audit activity.

The meeting adjourned at 10:05 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary