



The University of North Carolina at Chapel Hill Audit, Compliance, and Risk Management Committee Charter

Committee Oversight Responsibilities and Operating Procedures

I. Background and Authority

The Committee on Audit, Compliance, and Risk Management (Committee) is a standing committee of the University of North Carolina at Chapel Hill (University) Board of Trustees. The Committee is supported and staffed at the Chancellor's direction by the University's Office of Internal Audit, the Chief Audit Officer, and the Vice Chancellor for Institutional Integrity and Risk Management.¹

The Committee has access through the Chancellor to other members of management and employees, and relevant information across the University as necessary to discharge its oversight responsibilities.

The legislation and policies relevant to the Committee's jurisdiction and oversight responsibilities are outlined in Appendix A.

The Committee's specific responsibilities concerning oversight of the University's Office of Internal Audit are outlined separately in the *Office of Internal Audit Charter*.

II. Purpose

The purpose of the Committee is to provide structured, systematic review and advice to the Chancellor on behalf of the Board concerning the University's audit, compliance, and risk management activities, as well as the University's internal control practices. It is the responsibility of University management under the direction of the Chancellor as the institution's executive and administrative head to maintain programs and systems of internal audit, compliance, risk management, and ethics. The Committee does not exercise decision-making authority on behalf of the University and the Committee's responsibilities do not replace or duplicate management's responsibilities. In addition to providing advice and guidance to management, the Committee sets broad policy for ensuring accurate, sound risk management and ethical behavior; exercises oversight responsibilities on behalf of the Board as defined herein; and makes reports and recommendations to the Board related to:

- A. The integrity of the University's annual financial statements.
- B. The internal audit function, external auditors, firms, and other providers of assurance.
- C. The University's compliance with legal, regulatory, ethics, conflict of interest, and policy requirements.
- D. The University's information governance and security program (Sections 1400.1 and 1400.2 of the UNC Policy Manual).
- E. The required elements of the University's associated entities.
- F. University-wide enterprise risk management and compliance processes.
- G. Campus safety and emergency operations.
- H. Additional matters that may implicate the University's interest in ensuring sound risk management and ethical behavior.

¹ See, Section 502 D of *The Code of The Board of Governors of The University of North Carolina*.

III. Organization

The chair of the Board of Trustees selects the Committee members and designates the Committee officers after evaluating the members' collective competencies and balance of skills. The Committee shall consist of no fewer than three (3) voting members appointed from the membership of the Board of Trustees. The Committee members:

- A. Must be independent of the University and any University associated entity management and free of any relationship that would impair the member's independence.²
- B. May not receive, directly or indirectly, consulting, advisory, or other fees from the University, associated entities of the University, the UNC System, or outside contractors hired to perform special engagements.
- C. Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk management, compliance, and principles of internal control to respond to regulatory, economic, reporting, and other emerging developments and needs.
- D. Must adhere to the UNC System's code of conduct and values and ethics established by the UNC System, including Sections 200.1 (Dual Memberships and Conflicts of Interest) and 200.7 (Duties, Responsibilities, and Expectations of Board Members) of the UNC Policy Manual, and University *Policy on Individual Conflicts of Interest and Commitment*. Consistent with UNC System policy and the North Carolina State Ethics Act, it is the responsibility of the Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee chair.

IV. Meetings

The Committee shall meet no fewer than four times a year. The Committee will invite when needed, the Chancellor, external and internal auditors, representatives of the Office of the State Auditor, Office of Internal Audit staff, Institutional Integrity and Risk Management staff, and others to attend the meetings and provide pertinent information as required and requested. The Committee will communicate its information requirements, including the nature, extent, and timing of information to staff. The Committee expects all communication with University management and staff, as well as external assurance providers, to be direct, open, and complete.

The Committee chair will collaborate with the Chancellor, the General Counsel, the Chief Audit Officer, and the Vice Chancellor for Institutional Integrity and Risk Management to establish meeting agendas that ensure the responsibilities of the Committee are properly scheduled and carried out. The Committee chair and Chancellor will consult as appropriate between Committee meetings to discuss proposed agenda items. Meeting agendas and related materials will be prepared and provided in advance to members and meetings will be conducted in accordance with the Open Meeting Act. Minutes will be prepared following applicable law and policy.

V. Education

The Chancellor and the designated Committee staff are responsible for providing the Committee with educational resources related to auditing, compliance, risk management, accounting principles and practices, legal and regulatory requirements, ethics, conflicts of interest, and other information that the Committee may require. The University's Chief Audit Officer and the Vice Chancellor for Institutional Integrity and Risk Management will assist the Committee in maintaining literacy in the appropriate areas related to the Committee's function.

² The term "Associated Entity" is defined and describe in Section 600.2.5.2[R] of the UNC Policy Manual, and includes, "any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity: (1) that was established by officers of the University; or (2) that is controlled by the University; or (3) that raises funds in the name of the University; or (4) that has a primary purpose of providing services or conducting activities in furtherance of the University's mission pursuant to an agreement with the University; or (5) that has a tax-exempt status that is based on being a support organization for the University."

VI. Duties and Responsibilities

The following shall be the principal duties and responsibilities of this Committee:

A. General

1. Adopt and annually review and update the Committee's charter detailing the Committee's responsibilities and operating procedures for approval by the Board of Trustees. The Committee Charter's operating procedures shall describe the scope of the duties and responsibilities of the Committee, the structure of the University's functions within the Committee's oversight responsibilities, and the basic responsibilities of management concerning each function.
2. Hold meetings following the requirements of the Open Meetings Act.
3. Report Committee oversight activities to the Board of Trustees, along with advice and recommendations as the Committee may deem appropriate.
4. Hear reports from management concerning investigations into any matters within the Committee's scope of oversight responsibility.
5. When deemed necessary by the Board of Trustees on the Committee's recommendation, advise the Chancellor and his or her delegate on the engagement of independent auditors.
6. Review and monitor the implementation of management's response to recommendations by internal and external audits or other assurance providers.
7. Review and/or recommend policies to the Board that support the internal audit, compliance, and risk management functions.
8. Consider and advise the Chancellor regarding the effectiveness of the University's internal control system in responding to risks, including information technology governance and security.
9. Receive legal reports from the General Counsel or the University's retained outside counsel.
10. Perform other oversight responsibilities assigned by the Board of Trustees.

B. Financial Statements

Management is responsible for the preparation, presentation, and integrity of the University's financial statements and the appropriateness of the accounting, internal control, and reporting policies used by the University. The Office of the State Auditor currently conducts the annual audit of the University's financial statements. The following shall be the principal duties and responsibilities of the Committee regarding the financial statements of the University:

1. Receive an annual overview from the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the University. Review the results of the University's independent financial statement audit by the State Auditor, including any difficulties encountered and reportable issues.
2. Resolve any differences between management and the State Auditor regarding financial reporting and other matters.
3. Review with management and the University General Counsel any legal matters (including 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.

C. External Audit/Outside Auditors

In addition to the annual financial statement audits (noted above), the Office of the State Auditor conducts federal compliance audits of select state institutions on an annual basis, and may, on occasion, conduct other audits or investigations of the University. Other external auditors may also be engaged by the UNC System Office or by the University for particular projects and matters. Concerning any such external audits, the Committee's responsibilities are as follows:

1. Review significant audit-related communications from the Office of the State Auditor or, as necessary, other external audit groups or firms concerning the University. Meet separately with the external auditors or firms, if necessary, to discuss sensitive and any other matters that the Committee or auditor believes should be discussed privately.
2. Review reports on the progress of implementing approved management action plans and audit

- recommendations resulting from completed audit engagements.
- 3. Be available to meet during the year with external auditors (the State Auditor, engaged CPA firm, or audit staff) for consultation purposes or to discuss the auditor's judgment about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a financial statement and other matters required to be communicated to the Committee under generally accepted auditing standards.
- 4. Receive audit reports in those matters where the Board of Trustees or chancellor authorizes or requests an external audit or another independent review.
- 5. Where needed and appropriate, as determined by the chancellor or the chief audit officer, or the general counsel, receive audit reports in those matters where a board of trustees or the chancellor or affiliated entity authorizes or requests an external audit or another independent review.

D. Internal Audit

The Office of Internal Audit is responsible for the daily direction, oversight, and management of the University's internal audit work. Concerning any such work of the Office of Internal Audit, the Committee's responsibilities are as follows:

- 1. Monitor internal control systems at the University through activities of the internal and external auditors.
- 2. At the beginning of the audit cycle, review and recommend to the Board for approval the University's fiscal year internal audit work plan for the institution as prepared by the chief audit officer. At the end of the cycle, review a comparison of the approved internal audit plan to internal audits performed.
- 3. Review internal audit reports and summaries of external and internal audit activities. Ensure that management is devoting adequate attention to issues raised.
- 4. Review all outcomes of audits and management letters of University Associated Entities as defined in section 600.2.5.2[R] of the UNC Policy Manual.
- 5. Obtain annual assurance from the chief audit officer that all internal audits were conducted following IIA Professional Standards.
- 6. As needed, review and recommend to the Board for approval revisions to the Office of Internal Audit Charter.
- 7. Review and resolve any significant disagreement between University management and the Office of Internal Audit in connection with the preparation of internal audit reports and results.
- 8. Serve as the audit committee for the University's internal audit function. The Committee's oversight is defined in the charter for the UNC Office of Internal Audit as outlined in Appendix B.
- 9. Review and recommend to the Board for approval, in consultation with the chancellor, the budget and resources for the Office of Internal Audit, including the chief audit officer's evaluation and remuneration.
- 10. The University's chief audit officer's appointment or termination of appointment shall be by the chancellor, after consultation and concurrence of the Board of Trustees.
- 11. Support Chapter 1400 of the UNC Policy Manual, *Information Technology*, including ensuring the following:

1400.1 *Information Technology Governance*:

- 1. Annual audit plans shall consider, as appropriate, audit activity focused on information technology matters, based on annual risk assessments.
- 2. The Committee shall review and discuss audit activity related to information technology matters and address issues of information technology governance on a regular basis.
- 3. The Committee may request information and reporting related to the Institution's IT governance program. All audit reports involving information technology governance matters will be shared with the System's Committee on Audit, Risk Management, and Compliance.

1400.2 *Information Security:*

1. The Committee shall ensure that information security is addressed in the annual audit planning and risk assessments that are conducted by the institution's internal auditor.
2. The Committee shall periodically include an agenda item for emerging information security matters at its regularly scheduled meetings.
3. The designated senior officer with information security responsibility shall present a report to the Committee, at least annually, on the institution's information security program and information technology security controls.

E. **Audit, Compliance, and Risk Management Committee**

It is the responsibility of University management, rather than the Committee and its members, to ensure adherence to laws, regulations, and policies. The responsibilities of the Committee regarding the University's compliance and risk management activities are as follows:

1. Support the efforts, establishment of, and collaboration among the risk management, ethics, and compliance programs within the University, including recommending to the Board University-wide policies regarding compliance and enterprise risk management.
2. Receive regular reports concerning enterprise risk management and compliance activities from the Vice Chancellor for Institutional Integrity and Risk Management, the Chief Audit Officer, and senior officers.
3. Provide general input regarding the University's adherence to laws, regulations, and policies that pertain to University operations.
4. Review the programs and policies of the University designed by management to assure compliance with applicable laws and regulations.
5. When necessary, meet privately with the General Counsel to discuss any matter that the Committee or the general counsel believes should be discussed privately.
6. Coordinate with other Board committees as appropriate on legal, risk management, and compliance matters.

F. **Other Responsibilities**

1. Oversee management's procedures for the prevention and detection of fraud to ensure appropriate antifraud programs and controls are in place to identify potential fraud and to take appropriate action if fraud is detected.
2. Consult with the General Counsel as necessary to review legal matters that may have a significant impact on a financial statement, overall financial performance, enterprise risk management, or compliance with applicable state, local, or federal laws and regulations. Review and provide advice on systems, practices, policies, and standards of ethical conduct. Identify and manage any legal or ethical violations.
3. Take other actions, as necessary, to ensure that risk exposures are identified and effectively managed to assure the integrity of the finances, operations, and controls of the University. These actions include reviewing the established governance processes and advising on related policies and procedures that should be in place.

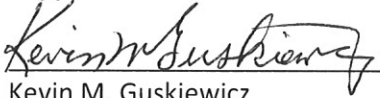
The Committee may, in consultation with and the approval of the Chancellor in areas under the Chancellor's authority, modify or supplement these duties and responsibilities as needed.

In addition to recommending the Board's approval of the annual work plan, the Committee may approve special projects or consulting services within the scope of the Office of Internal Audit activities specified in Section IV.B. of the Office of Internal Audit's Charter.

Any request by a Trustee for the Office of Internal Audit to perform audit activities shall be presented to the Committee Chair for inclusion on the Committee's agenda, after consultation with the Chancellor. The Committee shall then vote on the request and direct any necessary resources of the Office of Internal Audit to complete the defined engagement work.

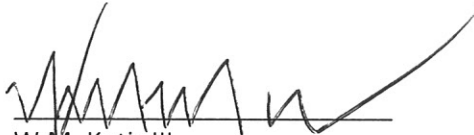
The Committee shall annually review and assess the adequacy of the Committee charter and the Office of Internal Audit charter with the assistance of University staff. The Committee chair will confirm annually that the relevant responsibilities in this charter have been carried out.

Approved:



Kevin M. Guskiewicz
Chancellor
University of North Carolina at Chapel Hill

3-24-23
Date



W.M. Kotis III
Chair, Audit, Compliance, and Risk Management Committee
University of North Carolina at Chapel Hill Board of Trustees

3/23/23
Date



Committee on Audit, Compliance, and Risk Management

Statutory and Policy Authority

The legislation and policies relevant to the Committee on Audit, Compliance, and Risk Management's jurisdiction and oversight responsibilities include:

- A. All constituent institutions, affiliated entities, and the University of North Carolina System Office (UNC System Office) are subject to audit by the North Carolina State Auditor under [Article 5A of Chapter 147](#) of the North Carolina General Statutes (G.S.).
- B. Under the authority of [G.S. 116-30.1](#), the Board of Governors may designate a special responsibility constituent institution, by expressly finding that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board, on the recommendation of the president, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards. UNC-Chapel Hill has been designated as a special responsibility constituent institution.
- C. A special responsibility constituent institution is required by [G.S. 116-30.8](#) to have an annual audit conducted by the North Carolina State Auditor.
- D. The UNC System and each constituent institution is required to establish a program of internal auditing pursuant to [G.S. 143-746](#).
- E. [Chapter 600](#) of the UNC Policy Manual establishes financial, reporting, and audit policies, regulations, and guidelines for the University of North Carolina, University-related private foundations, and associated entities.
- F. [Section 1400.2](#) of the UNC Policy Manual assigns the responsibility for oversight of the University's information security program to the standing committee with audit responsibility.