

AUDIT COMMITTEE

Audit Committee

August 7, 2015

2. Risk Management and Compliance Program Update Lynne Sanders/
Tom Shanahan

Situation: The committee will receive an update on the work being done to establish a UNC-system level Enterprise Risk Management and Compliance program.

Background: The University of North Carolina, like other public systems of higher education, operates amidst major technological, economic, and societal change. The University seeks to embrace these changes, while remaining focused on its core mission and creating value for all stakeholders. This dynamic environment presents a variety of risks that must be continuously examined, understood and managed by University leaders when developing strategies, operating the University, and taking steps to capitalize on opportunities.

The President, with the support of the Audit Committee, is taking steps to develop and establish a system-level enterprise risk management and compliance program for the University. Stage 1 of this work, to be completed in 2015, involves identifying initial risk areas, preparing an initial compliance calendar to be made available University-wide, proposing and adopting a University risk management policy, adjusting other policies as necessary to align with the program, and recommending next steps for Stage 2. Some of the constituent institutions have already established campus-level risk management programs that are now producing positive results. Other institutions are in the process of establishing programs. The system-level risk management program will seek to complement and support campus programs, and focus on identifying significant risks of system-wide importance in relation to the goals and objectives of the University.

Assessment: Some of the goals of the enterprise risk management and compliance program include encouraging creation of a risk-intelligent culture, educating Board members and staff on risk management, identifying risk areas and specific compliance responsibilities, and consulting with constituent institutions to identify and share best practices and approaches to risk management.

Action: This item is for information only.

University Risk Management and Compliance

I. Purpose. This policy directs the president to establish and oversee a risk management and compliance program for the University of North Carolina.

II. Definitions. For purposes of this policy:

A. “Chancellor” means the administrative and executive head of a constituent institution of the University of North Carolina, as described in Section 502 of *The Code*.

B. “Constituent Institution” means one of the 17 institutions that comprise the University of North Carolina.

C. “President” means the chief administrative and executive officer of the University of North Carolina, as described in Section 501 of *The Code*.

D. “Senior officer” means an individual who reports to the president in a senior officer position as designated by the Board of Governors, and who exercises University-wide responsibilities to assist the president and the Board of Governors in administering the affairs and executing the policies of the University of North Carolina.

E. “University” means the University of North Carolina, a body politic and corporate defined as a single public multi-campus University composed of 17 constituent institutions and other educational, research, and public service organizations.

III. Establishment and Oversight of a Risk Management and Compliance Program. The Board of Governors monitors system-wide risk and compliance through the Committee on Audit, Risk Management and Compliance (CARMC). The president, with assistance from the chief audit officer of the University, the senior vice president and general counsel of the University, and other senior officers and staff, shall establish and oversee a University-wide program to address risk management, including risks related to compliance with laws and ethical standards.

A. The program shall include components focused on the following:

1. Developing, implementing, evaluating, and monitoring a University system-wide risk management program;
2. Promoting the establishment of and collaboration among the risk management, ethics, and compliance programs at each of the constituent institutions;
3. Advising, assisting and supporting the constituent institution risk management and compliance programs, and providing other advice and counsel for these purposes;
4. Promoting a culture that supports board goals for risk management and compliance;
5. Promoting a uniform approach to measuring the University resources expended on regulatory compliance;
6. Supporting training and educational efforts;
7. Providing regular reports to the board’s CARMC;

8. Referring matters to the chancellors of the constituent institutions, the senior vice president and general counsel of the University, chief audit officer of the University, or other University officers, divisions, and units, for investigation as appropriate; and
 9. Performing such other duties as directed by the president.
- B. Subject to the direction of the president, each constituent institution shall establish a risk management program that aligns with the institution's management systems and processes and that supports the institution's goals. The risk management program established at each constituent institution shall include components and appropriate procedures for:
1. Identifying risks that impact the constituent institution's goals;
 2. Developing plans to monitor and mitigate risks;
 3. Providing periodic updates to the chancellor and the board of trustees; and
 4. Reporting significant risks to the president and, with the president's guidance, to the Board of Governors.
- VI. Other Matters
- A. **Effective Date.** This policy shall be effective January 1, 2016, upon adoption by the Board of Governors.
- B. **Regulations and Guidelines.** This policy shall be implemented and applied in accordance with such regulations and guidelines as may be adopted by the president.