



Committee Charter for the Board of Governors

Committee on Audit, Risk Management, and Compliance

I. Background and Authority

The Committee on Audit, Risk Management, and Compliance (CARMC) is a standing committee of the Board of Governors of the University of North Carolina (the Board) and provides independent oversight of the University's governance, risk management, compliance, and internal control practices. This charter sets out the authority of the committee to carry out the responsibilities established by the Board. In discharging its responsibilities, the committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. Related authoritative legislation and policies 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 recommendation of the president, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards.
- C. A special responsibility constituent institution of the University of North Carolina is required by G.S. 116-30.8 to have an annual audit conducted by the North Carolina State Auditor.
- D. The University of North Carolina 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. UNC Policy Manual 1400.2 assigns the responsibility for oversight of the UNC System Office's information security program to the standing committee with audit responsibility.

II. Purpose

The purpose of the Committee on Audit, Risk Management, and Compliance (CARMC) is to provide a structured, systematic oversight of the University of North Carolina System's governance, risk management, and internal control practices. The committee will assist the Board in performing its responsibilities and oversight related to:

- A. The integrity of financial statements.
- B. Governance, systems of internal control, values and ethics.
- C. The internal audit function, external auditors, and other providers of assurance.
- D. Compliance with laws and policies.
- E. System-wide enterprise risk management and compliance processes.
- F. Designation of special responsibility constituent institutions.
- G. The required elements of University associated entities.

III. Organization

The chair of the Board of Governors will select the committee chair, members, and determine the number of voting members. Continuance of committee members and their overall, collective competencies and skills will be reviewed annually. A quorum for the committee will be a majority of the voting members.

The CARMC members:

- A. Must be independent of the UNC System or associated entity management and free of any relationship that would impair the members' independence.
- B. May not receive consulting, advisory, or other fees from any of the constituent institutions, affiliated entities, associated entities, or the UNC System Office.
- C. Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk, and control in order to respond to regulatory, economic, reporting, and other emerging developments and needs.
- D. Should adhere to the UNC System's code of conduct and values and ethics established by the UNC System. It is the responsibility of the committee members to disclose any conflict of interest or appearance of conflict of interest to the CARMC chair.
- E. Are obligated to prepare for and participate in committee meetings.

IV. Meetings

The committee shall meet no fewer than four times a year. The committee will invite representatives of the constituent institutions, external and internal auditors, representatives of the Office of the State Auditor, legal counsel, 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. The committee expects all communication with UNC management and staff as well as external assurance providers to be direct, open, and complete.

The committee chair will collaborate with senior management and the chief audit officer to establish a work plan that ensures the responsibilities of CARMC are properly scheduled and carried out. Meeting agendas and related materials will be prepared and provided in advance to members. Minutes will be prepared in accordance with applicable requirements.

V. Duties and Responsibilities

It is the responsibility of CARMC to provide the Board with independent, objective advice on the adequacy of the University's governance processes, values and ethics, risk management, prevention and detection of fraud, compliance monitoring, and internal control practices. The committee will also review observations and conclusions of the internal auditor, external auditor, or other regulatory agencies. The committee will regularly report to the Board a summary of the committee's significant activities and recommendations.

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

- A. External Audit
 - 1. Receive an annual overview from the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the constituent institutions. Review the results of the UNC System Office's independent audit, including any difficulties encountered and reportable issues.
 - 2. Review other significant audit-related communications from the Office of the State Auditor or other external audit groups or firms. Meet separately with the external auditors to discuss sensitive and any other matters that the committee or auditor believes should be discussed privately.
 - 3. Review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.
 - 4. 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.

5. Request, as needed, that the State Auditor rotate the audit manager or that the engaged CPA firm rotate the partner assigned to a constituent institution, affiliated entity, or the UNC System Office financial statement audit.
 6. Provide a direct channel of communication to the full Board of Governors for the State Auditor and the results of external audits.
- B. Internal Audit
1. Review and approve an annual summary of the internal audit plans submitted by each constituent institution and the UNC System Office.
 2. Review an annual summary of the internal audit activities overseen by the audit committee of each constituent institution's boards of trustees. This report will incorporate a summary of audits, reviews, investigations, or special assignments completed by the internal audit department of each constituent institution and the UNC System Office and will note material reportable conditions and the status of their resolution.
 3. Serve as the audit committee for the UNC System Office's internal audit function. In this oversight capacity, the committee will:
 - a. Review and approve the Internal Audit Charter, ensuring it accurately reflects internal audit's purpose, authority, and responsibility.
 - b. Review and approve the annual risk-based internal audit plan and all significant changes to the plan. If necessary, provide input and make recommendations concerning the planned audit projects and the resources necessary to achieve the plan.
 - c. Confirm that internal audit coordinates with external auditors and regulators to provide optimal audit coverage, reduce duplication of work, and use audit resources effectively.
 - d. Review internal audit reports to management and periodic summaries of external and internal audit activities, including internal audit's performance relative to its annual plan.
 - e. Consider the scope and results of the internal audit activity and evaluate the adequacy of internal audit resources to ensure there are no budgetary or scope limitations that impede internal audit from executing its responsibilities. If necessary, review and approve proposals to outsource internal audit activities.
 - f. Review the organizational structure of the internal audit function to assure its independence and that no unjustified restrictions or limitations are placed upon the internal audit function.
 - g. Review reports on significant findings and recommendations, along with management's responses. Review and resolve any significant disagreement between management, external auditors, or internal audit over audit related matters.
 - h. Review reports regarding the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.
 - i. Meet privately with the chief audit officer, as deemed necessary, to discuss sensitive or other matters that the committee or auditor believes should be discussed privately.
 - j. Monitor the effectiveness of the internal audit function, including adherence to The Institute of Internal Auditors' mandatory guidance, which includes the core principles for the profession, definition of internal auditing, code of ethics, and the *International Standards for the Professional Practice of Internal Auditing*. Ensure the chief audit officer complies with all reporting requirements of the NC Office of Internal Audit and UNC policies related to the internal audit function.
 - k. Monitor to ensure the internal audit function has a quality assurance and improvement program and that the results of these periodic assessments are presented to the committee.
 - l. Monitor to ensure the internal audit function has an independent external quality assurance review every five years. Review the results of this external quality assurance review and monitor

the implementation of internal audit's action plans to address any recommendations. Advise the Board about any recommendations for continuous improvement of the internal audit function.

- m. Provide a direct channel of communication to the full Board of Governors regarding relevant internal audit activities. Report committee activities and forward with recommendations to the full Board significant management initiatives resulting from internal/external audit activities.

C. Enterprise Risk Management and Compliance

- 1. Support the efforts, establishment of, and collaboration among the risk management, ethics, and compliance programs at the constituent institutions, including recommending to the Board University-wide policies regarding internal audit, enterprise risk management, and compliance.
- 2. Monitor through regular reports from the UNC System Office's general counsel and senior officers the system-wide risk management and compliance processes.

D. Other Responsibilities

- 1. Monitor the internal control and audit finding resolution requirements for special responsibility constituent institutions.
- 2. Review a summary of the annual financial audit reports of the University's major associated entities.
- 3. Review the required elements of a University-associated entity relationship.
- 4. Participate, when necessary, in training sessions related to system-wide internal controls, enterprise risk management and compliance, and internal/external audit issues.
- 5. Oversee the UNC System Office's information security program, including but not limited to: obtaining confirmation from the chief audit officer that the annual audit planning and risk assessment process addresses information security; periodically including emerging information security matters on the committee's meeting agenda; and receiving a report, at least annually, from the senior officer responsible for information security regarding the UNC System Office's information security program and information technology security controls.
- 6. Review the results from auditors or regulatory agencies and or information from management. This includes recommendations and planned actions in order to assess the adequacy and effectiveness of the organization's internal control systems in response to risks as well as updates on information technology security processes and controls and the systems for monitoring compliance with laws and policies.
- 7. Receive briefings from management or internal audit regarding any significant complaints, internal control deficiencies, noncompliance, fraud, abuse, or misuse of State property in order to oversee the University's mechanisms for receiving, resolving, and retaining records of complaints regarding accounting, internal control, and operating matters.
- 8. 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.
- 9. Consult with the UNC System Office's general counsel to review any 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.
- 10. Take other actions, as necessary, to ensure that risk exposures are identified and properly 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 modify or supplement these duties and responsibilities as needed.

The committee shall have the authority to engage independent counsel or other advisors as necessary to carry out its duties in accordance with state rules and regulations. The committee may also request a supplemental

review or other audit procedures by internal audit, the State Auditor, or other advisors when the circumstances dictate that further review is required. The UNC System Office shall provide appropriate funding, as determined by the committee, for payment to advisors employed by the committee.

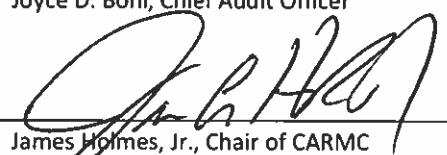
The committee shall annually review and assess the adequacy of the committee charter, with the assistance of staff at the UNC System Office. The committee chair will confirm annually that the relevant responsibilities in this charter have been carried out.



Joyce D. Boni, Chief Audit Officer

5/24/18

Date


James Holmes, Jr.

5/24/18

Date


W. Louis Bissette, Jr.

5/24/2018

Date

Last updated and approved May 2018