

**Audit Committee**  
**The University of North Carolina School of the Arts**

Tuesday, February 9, 2016  
4:00 – 5:00 p.m.

Law Offices of Kilpatrick Townsend & Stockton LLP

OPEN SESSION AGENDA

**Audit Committee**

\*Stephen Berlin, Chair

\*Charlie Lucas

\*GOV Appointee

Rob King, ex officio

Shannon Henry, Internal Auditor

Amanda Balwah, Staff

Faculty Representative

Staff Representative

\*Denotes voting members

- I. Call to order and Confirm Quorum
- II. Approval of December 1, 2015 Minutes
- III. Discussion of External Audits & Reviews
- IV. 2015-2016 Internal Audit Plan Activity Update & Completion (*summary*)
- V. Other Business
- VI. Closed Session
- VII. Adjourn

UNIVERSITY OF NORTH CAROLINA  
**SCHOOL OF THE ARTS**

**Audit Committee**  
**The University of North Carolina School of the Arts**

**Tuesday, December 1, 2015**  
**4:00 p.m.**

**Kilpatrick, Townsend & Stockton LLC**

**OPEN SESSION MINUTES**

**Audit Committee Members Present**

- \*Stephen Berlin, Chair
- \*Charlie Lucas (phone)
- \*Rob King

**Staff**

Shannon Henry, Chief Audit Executive (phone)  
George Burnette, Chief Operating Officers  
David Harrison, General Counsel  
Amanda Balwah, Secretary of the University  
Dennis Booth, Faculty Council Representative (phone)  
Leslie Kamtman, Staff Council Representative  
David Harrison, General Counsel  
Javon Lee, Internal Auditor  
Rod Isom, Internal Auditor

\*Denotes voting members

**Guests in Attendance**

Ward Caldwell, Dean of Students  
Joe Rick, Assistant Dean of Student Affairs and Director of Residence Life Programs  
James Lucas, Director of HR  
Chris Boyd, Assoc. VC of Facilities

**Convene Meeting and Confirm Quorum**

Committee Chair Steve Berlin convened the Open Session of the University of North Carolina School of the Arts Audit Committee at 3:56 p.m. A quorum was confirmed.

**Approval of Minutes**

**Motion: Charlie Lucas moved to approve the September 24, 2015 Open Session Minutes. Steve Berlin seconded and the motion was unanimously approved.**

**Discussion of External Audits and Reviews**

Javon Lee, Internal Auditor, reported that financial statement audits for fiscal year 2015 were completed for the UNCSA Housing Corporation and the Program Support Corporation. Both received clean audits. George Burnette, Chief Operating Officer, took some time to explain the function of both entities.

DRAFT

Mr. Lee also reported that the University of North Carolina School of the Arts financial statement audit for fiscal year 2015 was completed. UNCOSA received a clean audit. Mr. Burnette and Mr. Berlin commended the staff for a job well done.

### **Internal Audit 2015-2016 Plan**

Mr. Lee presented the 2015-16 Internal Audit Plan. Since the last meeting, the Housekeeping Review has been completed. Mr. Lee went on to review the results of the Housekeeping Survey that was administered to the UNCOSA campus community (faculty, staff and students). The results of this survey indicated that approximately half of the campus community felt that Housekeeping's quality of work is excellent or good, while the other half believe it needs improvement. UNCOSA's response has been positive and they are in the process of taking corrective measures.

Chris Boyd, UNCOSA's Vice Chancellor of Facilities Services noted that some of the critiques to Housekeeping's services may actually be subjective and vary due to the age of some of the buildings and their fixtures. He assured the committee that UNCOSA management is taking the concerns seriously and will issue surveys to campus after the New Year. A request for proposals (RFP) has been issued for Housekeeping consulting services to assist the campus in developing a standard of best practices. James Lucas, Director of Human Resources, also discussed new morale boosting programs that will be targeted to the Housekeeping staff and other Facilities employees, while Ward Caldwell, Dean of Students and Joe Rick, Associate Vice Chancellor of Facilities, detailed repairs and renovations that have been made or will be made in the near future.

Mr. Lee also provided a status update for two ongoing projects: 1.) the IT Performance Audit and 2.) the FY2012 Facilities Housekeeping Investigation Follow-Up.

### **Motion to Move to Closed Session**

**MOTION: Rob King moved that the Audit Committee go into Closed Session to prevent the disclosure of privileged information under N.C.G.S. 143-318.11(a)(1), the Internal Auditor's work papers. Steve Berlin seconded and the motion was unanimously approved.**

### **Report from Closed Session**

Chairman Berlin reported that the committee approved the closed session minutes from the September 2015 meeting.

### **Adjournment**

With no further business to discuss, Chairman Berlin adjourned the meeting at 5:00 p.m.

Submitted by:

Amanda Balwah

Assistant Secretary to the Board of Trustees

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Internal Audit Charter

## **Mission and Scope of Work**

The mission of the Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Winston-Salem State University Office of Internal Audit is the internal audit service provider for the University of North Carolina School of the Arts. The scope of work of the Office of Internal Audit is to determine whether the University's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occur as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University's control processes.
- Significant legislative and regulatory issues impacting the University are recognized and addressed properly.

Opportunities for improving management control, efficiency, and the University's image may be identified during audits. They will be communicated to the appropriate level of management.

## **Accountability**

The Chief Audit Officer, in the discharge of his/her duties, shall be accountable to the Chancellor and the Audit Committee to:

- Provide an assessment on the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the University and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

## **Independence**

To provide for independence of the Office of Internal Audit, its personnel report to the Chief Audit Officer, who reports administratively to the Chancellor and functionally to the Audit Committee of the University Board of Trustees in a manner outlined in the above section on Accountability. It will include as part of its reports to the audit committee a regular report on internal audit personnel.

## **Responsibility**

The Chief Audit Officer and staff of the Office of Internal Audit have responsibility to:

- Apply and uphold the principles and rules of conduct in the Code of Ethics established by the Institute of Internal Auditors (IIA).

## University of North Carolina School of the Arts Internal Audit Charter

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the audit committee for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the audit committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Establish a quality assessment program by which the Chief Audit Officer assures the operation of internal auditing activities.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Periodically report to the Chancellor and the Audit Committee summarizing the results of audit activities.
- Communicate appropriate and significant risk findings to the University's General Counsel.
- Keep the Chancellor and the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide significant goals and results to the Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the University and notify the Chancellor and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the University.

### Authority

The Chief Audit Officer and staff of the Office of Internal Audit are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the University where they perform audits, as well as other specialized services from within or outside the University.

The Chief Audit Officer and staff of the Office of Internal Audit are not authorized to:

- Perform any operational duties for the University or its affiliates.
- Initiate or approve accounting transactions external to the Office of Internal Audit.
- Direct the activities of any University employee not employed by the Office of Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

### Role in Enterprise Risk Management

The Office of Internal Audit and Institutional Compliance's core role with regard to Enterprise Risk Management (ERM) is to provide objective assurance to the Audit Committee of the University Board of Trustees on the effectiveness of the University's ERM activities to help ensure key business risks are being managed appropriately and that the system of internal control is operating effectively.

The main factors the Chief Audit Officer should take into account when determining internal auditing's role are whether the activity raises any threats to the internal auditor's independence and objectivity, and whether it is likely to improve the University's risk management, control and governance processes.

To maintain the objectivity and independence required by The IIA's *Standards* the Office of Internal Audit and Institutional Compliance should and should not play the following roles throughout the ERM process:

#### 1. Core internal auditing roles in regard to ERM

University of North Carolina School of the Arts  
Internal Audit Charter

- Giving assurance on risk management processes.
- Giving assurance that risks are correctly evaluated.
- Evaluating risk management processes.
- Evaluating the reporting of key risks.
- Reviewing the management of key risks.

*The Office of Internal Audit and Institutional Compliance may extend its involvement in ERM to include the roles identified below as "legitimate" provided that the following safeguards are in place:*

- ❖ *Management remains responsible for risk management.*
- ❖ *Internal audit should not manage any of the risks on behalf of management.*
- ❖ *Internal audit should provide advice, and challenge and support management's decisions on risk, as opposed to making risk management decisions.*

**2. Legitimate internal auditing roles with safeguards**

- Facilitating identification and evaluation of risks.
- Coaching management in responding to risks.
- Coordinating ERM activities.
- Consolidating the reporting on risks.
- Championing the establishment of ERM.
- Maintaining and developing the ERM framework.

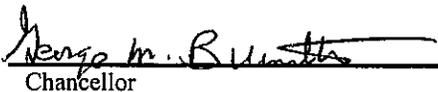
**3. Roles internal auditing should not undertake**

- Developing risk management strategy for board approval.
- Setting the risk appetite.
- Imposing risk management processes.
- Management assurance on risks.
- Taking decisions on risk responses.
- Implementing risk responses on management's behalf.
- Accountability for risk management.

**Standards of Audit Practice**

The Office of Internal Audit will meet or exceed the *International Standards for the Professional Practice of Internal Auditing (Standards)* of the IIA.

  
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Chief Audit Officer

  
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Chancellor

  
\_\_\_\_\_  
Audit Committee Chair

2-14-14  
\_\_\_\_\_  
Dated

# University of North Carolina School of the Arts

## Audit Committee Charter

### PURPOSE

The audit committee assists the University of North Carolina School of the Arts (UNCSA) Board of Trustees in fulfilling its oversight responsibilities of the institution and associated entities which fall under the requirements established by the Board of Governors in the following areas:

1. The financial reporting process;
2. The effectiveness of the institution's internal control and risk management system;
3. The audit process;
4. The institution's process for monitoring compliance with laws and regulations; and
5. The institution's code of conduct.

The committee is responsible for maintaining open communication between the university's internal auditor, UNCSA management and the UNCSA Board of Trustees. The committee will take all appropriate actions to set the overall tone at the institution for quality financial reporting, effective internal control and ethical behavior.

### AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

1. Appoint, compensate, and oversee the work of the North Carolina Office of the State Auditor and any other registered public accounting firm employed by the organization;
2. Resolve any disagreements between management and the auditor regarding financial reporting;
3. Pre-approve all audit and nonaudit services;
4. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation;
5. Seek any information it requires from employees — all of whom are directed to cooperate with the committee's requests — or external parties; and
6. Meet with the organization's officers, external auditors, or outside counsel as necessary.

### COMPOSITION

1. The audit committee shall be a standing committee of at least three, and no more than six, members of the Board of Trustees.
2. The Chair of the Board will select both the chair of the audit committee and the members of the committee.
3. The Chair of the Board will serve as an Ex Officio member of the audit committee.
4. Voting committee members must be comprised only of trustees, however, committee members may be non-trustees. Non-trustee committee members shall have all of the rights and responsibilities of trustee members, except the right to vote.
5. Each committee member must be independent of UNCSA management and free of any relationship that would impair such independence. Members may not receive from UNCSA any consulting, advisory, or other fees paid monetarily or with other consideration. This is not intended to prevent committee members from receiving travel expense reimbursements for participating in meetings or meals furnished at meetings.
6. Each audit committee member will be financially literate. Financial literacy is defined as being able to read and understand fundamental financial statements. If possible, at least one member should be a "financial expert." This is defined as a person who has an understanding of generally accepted accounting principles and financial statements, the ability to assess the application of these principles, an understanding of audit committee functions, experience preparing, auditing,

analyzing or evaluating financial statements, or experience supervising persons engaged in such activities and an understanding of internal controls and procedures for financial reporting.

## **MEETINGS**

1. The audit committee will meet at least four times a year, with authority to convene additional meetings as circumstances require.
2. All audit committee members are expected to attend each meeting in person or via teleconference or videoconference.
3. A majority of the voting members of the committee will constitute a quorum.
4. The audit committee will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary.
5. The audit committee will hold private meetings with internal and external auditors and executive sessions. If the internal or external auditors request a meeting, the committee is required to meet as promptly as possible.
6. Meeting agendas will be prepared by UNCSA staff and provided in advance to the committee members, along with the appropriate briefing materials.
7. The committee shall maintain written minutes of its meetings.

## **RESPONSIBILITIES**

With regards to each topic listed below, the audit committee will:

### **Financial Statements**

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and understand their impact on the financial statements.
2. Review with management and the external auditors the results of the audit, including any difficulties encountered.
3. Review the annual financial statements and other sections of the annual report and related regulatory filings.
4. Review with management and the external auditors all matters required to be communicated to the audit committee under auditing standards.
5. Understand how management develops financial information, and the nature and extent of internal and external auditor involvement.

### **Internal Control**

1. Review the effectiveness of the internal control system, including information technology security and control, through activities of the internal and external auditors.
2. Understand the scope of internal and external auditor's reviews of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
3. Determine whether recommendations made by the internal and external auditors have been implemented by management.

### **Internal Audit**

1. Review with management and the chief audit officer (CAO) the charter, activities, staffing, and organizational structure of the internal audit function.
2. Have final authority to review and approve the annual audit plan and all major changes to the plan.
3. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, compensation, replacement, or dismissal of the CAO.
4. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
5. On a regular basis, meet separately with the CAO to discuss any matters that the committee or internal auditing believes should be discussed privately.

### **External Audit**

1. Review the external auditors' proposed audit scope and approach.
2. Review the performance of the external auditors and exercise final approval on their appointment or discharge.
3. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### **Compliance**

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Review the findings of any examinations by regulatory agencies and any auditor observations.
3. Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance therewith.
4. Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

### **Reporting**

1. Regularly report to the Board of Trustees about committee activities, issues, and related recommendations.
2. Provide an open avenue of communication among internal auditing, the external auditors, and the Board of Trustees.
3. Report annually to the UNC Board of Governors, describing the audit committee's composition, responsibilities and how they were discharged, and any other information required.
4. Review any other reports the organization issues that relate to the audit committee responsibilities.

### **Complaints and Ethics**

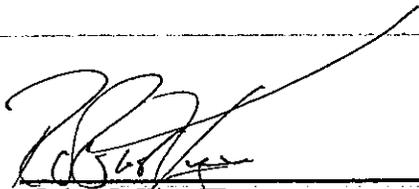
1. Ensure policies and procedures are established to allow employees to report alleged improper activities.

### **Other Responsibilities**

1. Review and assess the adequacy of the audit committee charter annually, requesting board approval for updates of its charter, as necessary.
2. Perform other activities related to this charter as requested by the Board of Trustees.
3. Institute and oversee special investigations as needed.
4. Evaluate the audit committee's and individual members' performance on a regular basis.
5. Consult with UNCSA legal counsel to review any legal matters that may have a significant financial impact.
6. Ensure that the internal auditor receives continuing education annually.
7. Ensure that the internal auditor participates in the University of North Carolina Auditors' Association and other professional organizations in order to stay updated on developments with auditing procedures and other relevant issues.

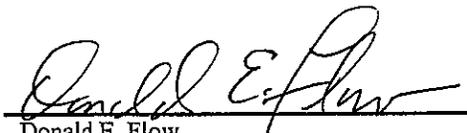
Effective Date: This Charter becomes effective upon adoption by the Board of Trustees.

Adopted: This the 6<sup>th</sup> day of December 2013



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Robert L. King, III  
Chair, Board of Trustees  
UNC School of the Arts



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Donald E. Flow  
Chair, Audit Committee  
UNC School of the Arts

Discussion and Recommended Approval of Risk Management/  
Compliance Policy & Code Revisions .....Tom Shanahan/Lynne Sanders

**Situation:** The University is in the process of developing a UNC-wide risk management and compliance program at the direction of the President and the Audit Committee. To support the program, the Committee considered at its September meeting: (a) revisions to the Audit Committee’s jurisdiction to include risk management and compliance responsibilities; and (b) a general risk management policy.

**Background:** The President, with the support of the Audit Committee, is taking steps to develop and establish system-level enterprise risk management and compliance processes for the University. Some of the constituent institutions have already established campus-level risk management processes that are now producing positive results. Other institutions are in the process of establishing programs. The University-wide processes are intended to integrate with and complement, not supplant, campus-based enterprise risk management programs that are in place or under development, resulting in the systematic review and oversight by the Board and the President of the most significant University-wide risks, compliance issues, and mitigation strategies.

**Assessment:** The following proposed policy and Code revision have been prepared for review, discussion, and consideration by the Board, following thorough review and input by the President’s staff, chancellors, and senior personnel at the constituent institutions:

- a. Jurisdiction of Standing Committee on Audit, Risk Management, and Compliance (CARMC) (Sections 301 A and 301 G of *The Code*)
- b. University Risk Management and Compliance Policy (UNC Policy Manual, Section 1300.7)

**Action:** This item requires initial review and discussion. A VOTE by the Committee is needed when the Committee is prepared to recommend the policy and *Code* revisions to the Board. If approved, the risk management policy and the *Code* revisions require approval by the Board of Governors at the next regular meeting after the Committee’s VOTE.

## Review and Discussion of Risk Management/Compliance Project Policies

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 Board of Governors and the President recognize that risk management is an essential governance and management discipline that should be integral to University-wide oversight and decision-making. Accordingly, at the direction of the President and with the support of the Audit Committee, the University is taking steps to develop and establish a system-level enterprise risk management and compliance program for the University. 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 University-wide risk management and compliance program is intended to complement and support campus programs where the primary and essential enterprise risk management work will continue to be accomplished. The focus at the level of the President and the Board of Governors will be on identifying significant risks of system-wide importance in relation to the goals and objectives of the University.

The following proposed policies and *Code* provisions have been prepared for further review, discussion, and possible adoption by the Board:

- a) **Revised Audit Committee Jurisdiction (Sections 301 A and 301 G of *The Code*)**. These are amendments to Section 301 of *The Code*, which describes the Audit Committee's jurisdiction. The amendments expand the Committee's jurisdiction to include risk management and compliance, and clarify the Committee's responsibility to oversee the audit and risk management functions for the University. The amendments also change the name from Committee on Audit to the Committee on Audit, Risk Management, and Compliance (CARMC). The Committee would also recommend approval of the appointment of the chief audit officer for the University of North Carolina.
- b) **University Risk Management and Compliance Policy (UNC Policy Manual, Section 1300.7)**. This is a proposed new policy to be adopted by the Board. The policy provides for the president to establish a risk management program. It makes clear, however, that the work is to be done in close collaboration with chancellors and the constituent institutions. The chancellors would be responsible for identifying and managing campus risks, and reporting significant risks to the president, who can then report them to the Board of Governors as appropriate. Phase 2 of the risk management project (2016) will include the development of a set of risk management program consensus guidelines, done in close consultation with chancellors and their staffs.

CODE

SECTION 301.

THE STANDING COMMITTEES' JURISDICTION.

301 A. The standing committees of the Board of Governors shall be: the Committee on Budget and Finance; the Committee on Educational Planning, Policies, and Programs; the Committee on Personnel and Tenure; the Committee on University Governance;~~;~~ the Committee on Public Affairs;~~;~~ and the ~~Audit~~ Committee on Audit, Risk Management, and Compliance.

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301 G. The ~~Audit~~ Committee on Audit, Risk Management, and Compliance (CARMC) shall consist of a number of voting members to be determined by the chair of the board. ~~A~~ The voting members serving on this committee shall also serve on one or more other standing committees. The ~~Audit Committee~~ CARMC shall ~~develop~~ recommend a committee charter for review and ~~maintain a system approval by the board,~~ addressing the University's internal audit, enterprise risk management, and compliance functions; ~~recommend for approval University-wide code of ethics, policies regarding internal audit, enterprise risk management, and compliance;~~ review annual and other audit reports of the constituent institutions and ~~affiliated entities of the University,~~ UNC General Administration and affiliated entities; review a summary of the internal audit plans and work of the audit committees of the constituent institutions;~~;~~ review a summary of the annual financial audit reports and management letters on University major associated entities;~~;~~ meet with the state auditor annually;~~;~~ and take such other actions as are necessary or appropriate to ensure that risks are identified and properly managed and to assure the integrity of the finances, operations, and controls of the University.

*CODE*

SECTION 301.

THE STANDING COMMITTEES' JURISDICTION.

301 A. The standing committees of the Board of Governors shall be: the Committee on Budget and Finance; the Committee on Educational Planning, Policies, and Programs; the Committee on Personnel and Tenure; the Committee on University Governance; the Committee on Public Affairs; and the Committee on Audit, Risk Management, and Compliance.

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301 G. The Committee on Audit, Risk Management, and Compliance (CARMC) shall consist of a number of voting members to be determined by the chair of the board. The voting members serving on this committee shall also serve on one or more other standing committees. The CARMC shall recommend a committee charter for review and approval by the board, addressing the University's internal audit, enterprise risk management, and compliance functions; recommend for approval University-wide policies regarding internal audit, enterprise risk management, and compliance; review annual and other audit reports of the constituent institutions and UNC General Administration and affiliated entities; review a summary of the internal audit plans and work of the audit committees of the constituent institutions; review a summary of the annual financial audit reports and management letters on University major associated entities; meet with the state auditor annually; and take such other actions as are necessary or appropriate to ensure that risks are identified and properly managed and to assure the integrity of the finances, operations, and controls of the University.

## University Enterprise Risk Management and Compliance

I. Purpose. This policy directs the president to establish and oversee enterprise risk management and compliance processes 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 degree/diploma-granting 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 diverse constituent institutions and other educational, research, and public service organizations.

III. Establishment and Oversight of Enterprise Risk Management and Compliance Processes. 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 University-wide processes to address enterprise risk management, including risks related to compliance with laws and ethical standards at the system level, and to complement and support the risk management and compliance processes and activities of the constituent institutions.

A. The system-wide processes should include components focused on the following:

1. Developing, implementing, evaluating, and monitoring a University system-wide enterprise risk management process;

2. Promoting the establishment of and collaboration among the risk management, ethics, and compliance programs at the constituent institutions;

3. Advising, assisting, and supporting the constituent institution risk management and compliance processes, 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 president's staff, or other University officers, divisions, and units, 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 an enterprise risk management process that aligns with the institution's programs, activities, and management systems and that supports the institution's strategic and other goals. The enterprise risk management processes 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 enterprise 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 March 4, 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.