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## NU Website: BOR Charter of Audit Risk and Compliance Committee

University of Nebraska, Board of Regents

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# **CHARTER OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF THE UNIVERSITY OF NEBRASKA**

## **Purposes of the Audit Committee**

The purposes of the Audit, Risk and Compliance Committee (the "Committee") are to assist the Board of Regents with the oversight of (i) the integrity of the University of Nebraska's (the "University") financial statements, (ii) the University's compliance with laws and regulations (iii) the independent auditors' qualifications and independence, (iv) the performance of the University's internal audit function, (v) the accounting and financial reporting processes of the University and audits of the University's financial statements (vi) the University's Risk Management process, (vii) the code of conduct and, (viii) the internal control process. The function of the Committee is oversight.

The management of the University is responsible for the preparation, presentation, and integrity of the University's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies, a code of conduct and internal controls and procedures that provide compliance with accounting standards and applicable laws and regulations.

The independent auditors for the University are accountable to the Board of Regents and shall provide the Committee all communications required by generally accepted auditing standards; however, the Committee has the sole authority and responsibility to retain and terminate the University's independent auditors.

## **Duties and Responsibilities of the Audit Committee**

The following are the duties and responsibilities of the Committee:

### **Independent Auditors**

1. The sole authority to appoint, compensate, retain, oversee and terminate all independent auditors.
2. The sole authority to pre-approve all terms of and fees for audit services, audit-related services, tax services, and other services to be performed for the University by any independent auditors.
3. Ensure that the independent auditors prepare and deliver with each engagement letter a written statement (an "Auditors' Statement") describing: the independent auditors' internal quality-control procedures; any material

issues raised by the most recent internal quality-control review or peer review of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and (to assess the independent auditors' independence) all relationships between the independent auditors and the University, including each non-audit service provided to the University. The Committee shall discuss with the independent auditors any relationships or services disclosed in the independent Auditors' Statement that may impact the quality of independent audit services or the objectivity and independence of the University's independent auditors.

4. Ensure that the independent auditors of the University-wide financial statements shall submit to the University annually a formal written statement of the fees billed for each of the following categories of services rendered by the independent auditors: (i) audit services, including the annual financial statement audit (including required quarterly reviews), subsidiary audits, and other procedures required to be performed by the independent auditors to be able to form an opinion on the University's consolidated financial statements; (ii) audit related services, which include assurance and related services that are reasonably related to the performance of the audit or review of the University's financial statements or that are traditionally performed by the independent auditors, but are not necessarily required by statutory or regulatory audit mandates; (iii) tax services for the University; and (iv) all other services rendered by the independent auditors for the most recent fiscal year, in the aggregate and by each category of service.
5. Review the independent auditors' of the University-wide financial statements audit plan prior to the commencement of the audit and discuss audit scope, staffing, locations, reliance upon management, and internal audit and general audit approach.
6. Review and evaluate the qualifications, performance, and independence of the independent auditors, including an evaluation of the lead partner of the independent auditors and an evaluation of whether the independent auditors' quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditors' independence. The Committee's evaluation of the independence of the independent auditors shall be made with respect to applicable standards of independence set forth in any

applicable laws, regulations, or financing standards. The Committee shall consider the opinions of management and Internal Audit and Advisory Services in its evaluation.

7. Ensure the appropriate rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit. Consider, whether, in order to assure continuing auditor independence, there should be a change of the audit firm itself.
8. Receive and act upon any report from the independent auditors regarding internal control deficiencies and any response from management thereto.
9. Approve any non-audit services by any independent auditors.

### Dispute Resolution

Any dispute or claim arising out of or relating to audit services provided hereunder, or any other audit or attest services provided by or on behalf of the Auditor or any of its subcontractors or agents to the University or at their request, shall be submitted first to non-binding mediation (unless either party elects to forego mediation by initiating a written request for arbitration) and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution then in effect ("CPR Arbitration Rules"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforcement of these dispute resolution procedures) including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forego litigation over such disputes in any court of competent jurisdiction.

Mediation, if selected, may take place at a location to be designated by the parties using Mediation Procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator). All mediation and arbitration shall take place in Lincoln, Nebraska. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in CPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the

prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm and enforce any final award entered in arbitration, in any court of competent jurisdiction. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

*Internal Audit and Advisory Services and the campus internal audit functions (University internal audit)*

The Director of Internal Audit and Advisory Services (CAE) shall report administratively to the President and functionally to the Audit Committee of the Board of Regents. Each campus director shall be accountable to their campus Chancellor and provide information on request for the CAE to be presented to the Audit Committee. All campus work products shall be provided to the CAE and be reported to the Committee for acceptance by the CAE. Each Chancellor is responsible for hiring, evaluating, promoting and determining the salary of campus internal audit staff. The Chancellor should consult with the CAE in hiring a new campus director. The Chancellor shall notify the Chairperson of the Committee when a member of the internal audit function other than the campus director is dismissed, demoted or has a change of duties. The Chancellor shall obtain the prior approval of the Chairperson of the Committee before the campus director is dismissed, demoted or has a change of duties. The President of the University shall appoint, evaluate, promote, change the pay or duties or dismiss the CAE with the approval of the Committee Chairperson.

10. Review and approve the University internal audit function, including the campus internal audit charter and proposed audit plans. The CAE shall review the charter, audit plans and operating procedures of campus internal audit functions and provide any suggestions to the campus and to the Committee.
11. Annually the Audit Committee Chairperson shall review the performance and compensation of the CAE with the President.
12. Review the budget, any changes in plan, performance relative to the audit plan, or organizational structure, and qualifications of the University internal audit

functions, as needed. The Committee should also consider internal audit's conformance to professional standards.

13. Understand the review of internal controls and significant reports prepared by Internal Audit together with management's response and follow-up to these reports.
14. Review the summaries and inquire about the information provided by the CAE from the campus internal audit functions reports and responsibilities and follow-up on this information.

*Financial Reporting Principles and Policies; Internal Audit Controls and Procedures*

15. Advise management, the University internal audit function and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices.
16. Meet separately and on a periodic basis with management, the CAE and the independent auditors.
17. Meet with management, the independent auditors, and, if appropriate, the CAE to do the following:
  - a. Discuss the scope of the annual audit;
  - b. Discuss any significant matters arising from any audit, including any audit problems or difficulties, and execution of response to audit findings;
  - c. Discuss any audit problems or difficulties the independent auditors encountered in the course of the audit, including any restriction on their activities or access to requested information and any significant disagreements with management, and management's responses thereto;
  - d. Review the form of opinion the independent auditors propose to render to the Board of Regents;

- e. Discuss, as appropriate, any major issues regarding accounting principles and financial statement presentations, including any significant changes in the University's selection or application of accounting principles, and major issues as to the adequacy of the University's internal controls and any special audit steps adopted in light of material control deficiencies;
  - f. Discuss and consider the integrity of the University's financial reporting guidelines, policies, and controls governing the process by which management and the relevant departments of the University assess and manage the University's financial reporting preparation.
  - g. Discuss the University's major risk exposures and the steps management has taken to monitor, control, and report such exposures.
  - h. Review significant findings prepared by the independent auditors and the University's internal audit functions together with management's responses thereto.
18. Review management's analysis of significant financial reporting issues and practices prior to the issuance of the financial statements.
19. Consider the effectiveness of the University's internal control system, including information technology security and control.

### Compliance Oversight

20. Assist the Board of Regents with oversight of the University's compliance with laws and regulations. This includes requiring management to inform the Committee regarding the system(s) for monitoring compliance with laws and regulations and the results of any significant investigations.
21. Obtain regular updates from management and the General Counsel regarding compliance matters.
22. Establish procedures for the receipt, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by University employees of concerns regarding questionable accounting or auditing matter.

23. Review the process for communicating the legal and ethical standards of conduct to the University's personnel and for monitoring compliance therewith.

### Reporting and Recommendations

24. Review and reassess the adequacy of the Committee's charter as necessary.
25. Prepare and report to the Board of Regents (i) with respect to such matters as are relevant to the Committee's discharge of its responsibilities, and (ii) with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Regents may take the form of an oral report by the chairperson of the Committee or any other member of this Committee designated by the Committee to make this report.

### Meetings

The Committee shall meet no less frequently than once each fiscal quarter to discuss with management the annual audited financial statements and quarterly financial statements, as applicable. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The Committee should meet separately periodically with management, the CAE and the independent auditors to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. The Committee may request any officer or employee of the University, of the University's General Counsel's Office or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. The Committee shall maintain minutes of meeting of the Committee.

### Resources and Authority of the Audit Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate. The Committee may be vested with other specific powers and authority by resolution of the Board of Regents. The University shall provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to the independent auditors for the purpose of rendering or issuing an audit report, (ii) compensation to any advisors employed by the Committee, and (iii)



ordinary administrative expenses that are necessary or appropriate for carrying out the duties of the Committee.

### **Performance Self-Evaluation**

26. The Committee shall perform a review and evaluation, as necessary, of the performance of the Committee. The Committee shall conduct such evaluations and review in such manner as it deems appropriate.

27. Confirm annually that all responsibilities outlined in the Committee Charter have been carried out.

### **Risk Assessment**

28. The Committee shall receive, at least annually, at a meeting of the Committee, from the President and Chancellors, the University and campus risk assessments, respectively. The Committee may also request reports from management addressing the risk issues identified, as necessary.

### **Financial Expert**

29. The method of designating elected Regents to the Audit Committee may not always result in there being a "financial expert", as defined by Sarbanes-Oxley, on the Committee. As a result, the Committee may by a majority vote appoint a financial expert. This person will:

- a. Be in the judgment of the Committee independent of the University;
- b. Be willing to serve on a voluntary basis (with only expenses paid on the same basis as the Board of Regents) for an initial term through December 31, of the year in which such person was appointed, with a maximum of two additional terms of two years, as an ex-officio, non-voting member and participate in Committee affairs;
- c. Receive all information that goes to the Committee and have access to information and personnel similar to other members of the Committee;
- d. Once appointed, serve the full term. They may only be removed by expiration of their term, absence from more than two meetings in a calendar year, a majority vote of the Board of Regents or voluntary resignation;
- e. Offer advice and counsel to the Committee to fulfill the financial expert attributes;

- f. Sign and abide by a confidentiality, non-disclosure agreement, approved by the General Counsel regarding information received in these efforts; and
- g. Meet the five financial expert attributes designated by Sarbanes-Oxley:
  1. An understanding of GAAP, Government Auditing Standards and financial statements;
  2. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
  3. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues which are comparable to the University's financial statements;
  4. An understanding of internal controls and the procedures for financial reporting; and
  5. An understanding of committee functions.

### **Disclosure of Charter**

This Charter shall be made available on the University's website.

### **Amendment**

Any amendment or other modifications of this charter shall be made and approved by the Board of Regents.

Adopted April 24, 2009  
Revised December 2, 2010  
Revised March 2, 2012  
Revised July 18, 2013  
Revised April 10, 2015