

Discussion and Recommended Approval of Risk Management/
Compliance Policy & Code RevisionsTom 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.

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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.