UNIVERSITY OF LOUISVILLE
Board of Trustees

Audit, Compliance and Risk Committee Charter

SCOPE
The Audit, Compliance and Risk Committee of the University of Louisville Board of Trustees is the oversight authority over internal control practices, regulatory compliance, and risk management activities for the University of Louisville and its statutory affiliates, the University of Louisville Athletic Association and the University of Louisville Research Foundation.

PURPOSE
To assist the board of trustees by providing oversight and guidance on the adequacy of the university’s initiatives for (1) Risk management (2) Values and ethics, (3) Internal control framework, (4) Oversight of internal and external audit, (4) Financial statements and public accountability reporting.

The committee shall recommend the designation of an independent auditor and shall cause to be prepared and submitted to the Board of Trustees for approval at least once a year an audited statement of the financial condition of the university as of the close of the fiscal year and of the receipts and expenditures for each year. The committee may request any designated independent auditor, internal auditor, or any other officer or employee of the university to appear before it to report on the financial condition of the university and answer any questions the committee might have. The committee shall also receive other audit reports pertaining to the institution and recommend any changes deemed appropriate to financial control and accounting systems. This committee shall monitor internal controls and risk management.

AUTHORITY
The audit, compliance and risk committee is authorized to perform its work as established within this charter. In conducting its work, the committee shall have unrestricted access to members of administration, staff, faculty, and any relevant information it considers necessary to discharge its duties. The committee also shall have unrestricted access to relevant records, data, and reports. The committee is entitled to receive explanations from administration, staff, and faculty as necessary to discharge its duties. The audit, compliance, and risk committee may engage independent counsel or other advisors as it deems necessary. When engaging independent counsel or other advisors, all applicable state procurement regulations will be followed and university resources will be used or consulted.
The committee may delegate authority to subcommittees or university administration, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting.

COMPOSITION

The audit, compliance and risk committee shall consist of a chair and at least two (2) additional trustees duly appointed by the Chair of the Board of Trustees at its annual meeting or as soon thereafter as possible.

All members of this committee shall be financially literate, have a general understanding of business and finance, be knowledgeable about key compliance issues facing the institution, and be able to read and understand fundamental financial statements. All members should be independent of the institution. There shall be no overlapping membership of this committee and the Finance Committee.

This committee may have at least one non-voting community advisor (the “Advisor”) who has extensive accounting, auditing and financial management expertise, but such person’s participation shall be advisory only and on a non-voting basis. The Advisor shall be selected by the Executive and Compensation Committee and appointed by the Chair of the Board of Trustees. The Advisor, after signing an appropriate confidentiality agreement, shall be included in all discussions of the audit, compliance and risk committee. The Advisor is not a member of the committee and may not serve as Chair of the audit, compliance and risk committee.

The President may upon invitation of the committee, attend any meeting but in no event shall the President be a member of the committee, or have any voting rights.

MEETINGS

The committee will meet at least two times a year, with authority to convene additional meetings as circumstances require. A majority of members of the committee shall constitute a quorum. The committee shall act by a majority of those present at a meeting at which a quorum is present. The committee will meet individually with the president, CFO, and Chief Audit Executive (CAE) at least annually. The committee may invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along
with appropriate briefing materials. Minutes will be prepared. The CAE and CFO, or their designee, will attend all committee meetings.

**RESPONSIBILITIES**

The audit, compliance and risk committee will carry out the following responsibilities:

**Risk management.** To obtain reasonable assurance with respect to the organization’s risk management arrangements, the audit, compliance and risk committee shall:

- Provide oversight on significant risk exposures and control issues, fraud risks, and other matters need or requested by administration and the board.
- Review and provide advice on the risk management arrangements established and maintained by administration and the procedures implemented to ensure they are operating as intended.

**Values and Ethics.** To obtain reasonable assurance with respect to the university’s values, ethics practices, and regulatory compliance the committee shall:

- Review and assess the policies, procedures, and practices established to monitor conformance with its code of conduct and ethical policies by all administrators, faculty and staff.
- Provide oversight of the mechanisms established to maintain high ethical standards for all administrators, faculty and staff of the university.
- Review and provide advice on the systems and practices established by administration to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.
- Review the findings of any examinations by regulatory agencies and any internal or external auditor observations.
- Obtain regular updates from management and university legal counsel regarding compliance and litigation matters, including fraud investigations. These updates will be provided in executive session to the extent permitted by law.

**Fraud.** To obtain reasonable assurance with respect to the university’s procedures for the prevention and detection of fraud, the audit, compliance and risk committee shall:

- Take an active role in the prevention and deterrence of fraud.
- Challenge administration and the auditors to ensure that the university has appropriate antifraud programs and controls in place to identify potential fraud, including a mechanism for reporting potential misconduct anonymously, and ensure investigations are undertaken if fraud is detected.
- Ensure appropriate action is taken against known perpetrators of fraud.
**Internal Control Framework.** To obtain reasonable assurance with respect to the university's internal control framework, the audit, compliance, and risk committee shall:

- Receive reports on all matters of significance arising from work performed by others who provide finance and internal control assurance to senior administration and the board.
- Review the management letter prepared in connection with the annual external audit and consider the impact of any control deficiencies, significant deficiencies, and material weaknesses, if any, on the internal control structure of the institution.
- Review regular reports on the progress of implementing approved issue action plans on recommendations from internal and external auditors resulting from completed audits.

**Oversight of Internal and External Audit and Other Assurance Providers.**

**Internal Audit.** To obtain reasonable assurance with respect to the work of the internal audit activity, the audit, compliance, and risk committee shall:

- Annually review and approve the internal audit charter.
- Review and approve proposed risk-based internal annual audit plans and make recommendations concerning audit projects.
- Advise the board regarding the qualifications and recruitment, retention, and release of the Chief Audit Executive (CAE).
- Provide input to administration on the annual performance of the CAE.
- Review the budget, expertise, and staffing levels of the internal audit program.
- Advise the board about any additional expertise needed in the internal audit program. Evaluate whether additional expertise is in the form of permanent staff or contracting for outside services.
- Review internal audit reports and other communication to administration.
- Review and advise administration on the results of any special investigations.
- Inquire of the CAE whether any evidence of fraud has been identified during internal audits and further action to be taken.
- Review and track action plans to address internal audit recommendations. Review and provide input on internal audit’s strategic plan, program goals, performance measures, and outcomes.
- Ensure that the internal audit function has external quality assurance review every 5 years.
- Review the results of the independent external quality assurance review and monitor the implementation of the action plans to address recommendations raised.
- Advise the board of any recommendations concerning the continuous improvement of the audit activity.
**External Audit.** To obtain reasonable assurance with respect to work of the external assurance providers, the audit, compliance and risk committee shall:

- In concert with management’s recommendation, review and approve the selection of the external auditors including the selection criteria used to select the auditor and the justification for management’s recommendation.
- Advise the board on the hiring of the external auditors.
- Meet with the external auditors during the audit planning, the presentation of the audited financial statements, and the discussion of the management letter and recommendations.

**Reporting Responsibilities.** The audit, compliance and risk committee shall:

- Regularly report to the board of trustees about committee activities and issues that arise with respect to the quality or integrity of the university’s financial statements, the university’s compliance with legal or regulatory requirements, the performance and independence of the university’s independent auditors, and the performance of the internal audit function.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of trustees.
- Review any other reports the university issues that relate to committee responsibilities.

**Other Responsibilities**

- Perform other activities related to this charter as requested by the board of trustees.
- Review and assess the adequacy of the committee charter periodically, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

Approved by the Board of Trustees: July 16, 2020