



WINSTON-SALEM STATE UNIVERSITY

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Internal Audit, Audit, Risk,
and Compliance

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WINSTON-SALEM STATE UNIVERSITY BOARD OF TRUSTEES AUDIT, RISK, AND COMPLIANCE COMMITTEE CHARTER

I. PURPOSE

To assist the Winston-Salem State University (WSSU) 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 enterprise-wide risk management systems;
3. The audit process;
- 3-4. The information governance and security infrastructure;
- 4-5. The institution’s process for monitoring compliance with laws and regulations; and
- 5-6. The institution’s code of conduct.

The committee provides open lines of communication between the university’s Office of Audit, Risk, and Compliance, and other audit, risk management and compliance functions, and the WSSU Board of Trustees. The committee will take all appropriate actions to set the overall tone at the institutions for quality financial reporting, effective internal control, risk management and compliance, and ethical behavior. The University Chancellor and/or Audit, Risk and Compliance Committee (ARCC) Chair has the power to call a meeting whenever necessary.

II. AUTHORITY

The ARCC 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 related 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; and
7. Set the university’s risk appetite.

III. COMPOSITION

1. The ARCC 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 ARCC and the members of the committee.
3. The Chair of the Board will serve as an ex officio member of the ARCC.
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 ARCC committee-member must be independent of WSSU management and free of any relationship with the University that would impair independence. Members may not receive from WSSU 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 ARCC 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 of the ARCC shall be designated as the “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 ARCC 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.

IV. MEETINGS

1. The ARCC will meet at least four times a year, with authority to convene additional meetings as circumstances require.
2. All ARCC 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 ARCC will invite members of management, auditors, risk and compliance managers, or others to attend meetings and provide pertinent information as necessary.
5. The ARCC 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 WSSU 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.

V. RESPONSIBILITIES

With regards to each topic listed below, the ARCC will:

Financial Statements

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, 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 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, risk and compliance officer (CARCO) the charter, activities, staffing, and organizational structure of the internal audit function. Consider and review any changes to the scope of the internal audit charter. Given the CARCO's responsibility for risk and compliance, ensure there are safeguards in place to limit impairments to independence or objectivity.
2. Have final authority to review and approve the annual audit plan, the internal audit budget and resource plan, and all major changes to the plans.
3. Ensure there are no unjustified restrictions, limitations or interferences, and review and concur in the appointment, compensation, replacement, or dismissal of the CARCO.
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 CARCO to discuss any matters that the committee or internal auditing believes should be discussed privately.~~
- ~~6.5. Consider and review any changes to the scope of the internal audit charter.~~

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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. The ARCC, through the Chancellor and CARCO, shall receive reports from management and the organization's legal counsel regarding compliance matters institution-wide, including, but not limited to, the following areas: athletics, environmental health and safety, diversity and affirmative action, research, contracts and grants, and financial aid.
2. 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.
3. Review the findings of any examinations by regulatory agencies and any auditor observations.
4. Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance therewith.

Risk Management

1. The ARCC is responsible for oversight of the processes to identify, assess, prioritize, and manage general business risks. This includes the current risk environment, emerging risks, and the interrelationship between risks and the context of the university's risk appetite.
2. The ARCC shall receive reports from management regarding the risk environment for WSSU and -ensure that management's responses to significant risks are appropriate, and that resources to address high priority risks are allocated appropriately.
3. Monitor and evaluate guidelines and policies to govern the process by which risk assessment and management is undertaken.

Information Governance and Security

1. Ensure that information governance and security is addressed in the annual audit planning and risk assessments that are conducted by the institution's internal auditor.
2. Periodically include an agenda item for emerging information governance and security matters at its regularly scheduled meetings.
3. Receive a report at least annually from the appropriate senior officer on the institution's information governance and security infrastructure and information technology security controls.

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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, risk and compliance managers, the external auditors, and the Board of Trustees.
3. Report annually to the UNC Board of Governors, describing the ARCC's composition, responsibilities and how they were discharged, and any other information required.
4. Review any other reports issued by the organization that relate to the ARCC's 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 [ARCC](#) 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 ARCC's and individual members' performance on a regular basis.
5. Consult with WSSU legal counsel to review any legal matters that may have a significant financial impact.
6. Ensure that the internal auditors receive continuing education annually.
7. Ensure that members of the Office of Audit, Risk and Compliance participate in the University of North Carolina Auditors' Association, the Institute of Internal Auditors, and other professional organizations in order to stay updated on professional standards, developments with audit, risk, and compliance procedures and other relevant issues.

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

Modified: December 6, 2013
December 9, 2016
[March 16, 2018](#)

William U. Harris
Chairman, Board of Trustees
Winston-Salem State University

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Scott F. Wierman
Secretary, Board of Trustees
Winston-Salem State University

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