

# **Committee on Audit & Risk Operating Guidelines**

## **Section One: Governance Committee Components**

1. Standing committees generally meet five (5) times a year on a schedule established by the Board and the respective committee Chair. Additional committee meetings may be set by the committee Chair as needed, at least three days before the meeting.
2. The Chair shall seek to ensure that meeting materials are distributed no less than one week in advance of meetings absent extenuating circumstances.
3. Committees shall, at their first meeting of the academic year, establish a calendar of committee activities and a written Workplan, which plan shall be adopted and guide the work of the committee for the following year. The Workplan shall include each element assigned to the committee in the University's Enterprise Risk Management Plan. Each committee's Workplan shall be shared with the Governance Committee.
4. Adjustments to both the calendar and Workplan may be adopted by each committee as necessary, with notice sent to the Governance Committee.
5. Committees shall develop Operating Guidelines consistent with the Template provided by the Governance Committee (below). Such OG's may carry forward from year to year, but shall be reviewed at least annually. If a committee desires to make changes to its OG's, these shall be sent to the Governance Committee for review and endorsement and subsequently sent to the full Board for adoption.
6. All Committees may at any time schedule or move into executive session or meeting to discuss litigation and/or other matters protected by the attorney client privilege or other legal protections. All such meetings shall be confidential, privileged and closed to the public.
7. All Committees shall assume such additional responsibilities as may from time to time be assigned by the Chair of the Board.

## **Section Two: Committee on Audit & Risk**

### **1. Purpose:**

- A. As set forth in the *Bylaws*, the Committee on Audit & Risk, which incorporates its Subcommittee on Risk, shall consider and report or make recommendations to the Board *inter alia* on matters pertaining to:

- 1) Financial Reporting and Controls
- 2) Independent Auditors
- 3) Internal Audit
- 4) Enterprise Risk Management (ERM)
- 5) Complaints and Investigations

- 6) Litigation
- 7) Compliance

B. The Committee on Audit & Risk exercises strategic oversight of the University's financial reporting and audits, internal controls, risk management, and legal and regulatory compliance activities. The Committee's mission is to help University leadership identify and manage institutional risks and to protect the financial health, resources and reputation of the University.

## **2. Composition:**

- A. This committee shall consist of not less than five (5) voting Trustee members, in addition to *ex officio* members and any other members appointed by the Chair of the Board.
- B. The Chair of the Board of Trustees serves as an *ex officio* member of the Committee.
- C. Each member shall be free of any relationship that, in the opinion of the Board, would interfere with his or her individual exercise of independent judgment.
- D. A majority of the Committee members should also not serve on the Committee on Finance & Investment.
- E. At least one member of the Committee on Audit & Risk should have basic expertise in financial management.
- F. The Senior Vice President for Finance and Business serves as the Executive Liaison to the Committee. The Vice President & General Counsel and the Director of Internal Audit regularly support this Committee, along with such other administrative personnel as might be deemed helpful by the Executive Liaison and/or Committee Chair.

## **3. Authority and Responsibilities:**

- A. In addition to the responsibilities set forth in the *Bylaws*, the Committee's specific responsibilities shall include the following:
  - 1) Serve as an independent and objective party to monitor the University's financial reports and system of internal controls.
  - 2) Provide strategic oversight over the selection and performance of the external auditor and the annual audit of the University, and over the internal audit function, including without limitation reviewing any disagreements between the administration and the external auditor regarding financial reporting.
  - 3) Receive and review internal and external auditors' key findings and provide oversight over the University's efforts to implement corrective actions to address identified deficiencies.
  - 4) Consider and report to the Board on the University's implementation of internal control recommendations made by internal and external auditors.

- 5) Consider and report to the Board on matters pertaining to the identification and management of risks including financial, compliance, control, and reputational.
- 6) Provide oversight of the University's Enterprise Risk Management.
- 7) Regularly obtain updates from University leadership and the General Counsel regarding significant changes in legal and compliance issues, and any findings of reviews by regulatory agencies.
- 8) Receive and review a report from Management on the President's discretionary budgets.

B. The Board has delegated authority to the Committee to:

- 1) Pre-approve all auditing services to be provided by external auditors, following appropriate consultation with the Administration.
- 2) The Chair of the Committee further has authority to approve services individually up to an amount of five percent of estimated total external audit fees as stated in the engagement letter. (The scope and amount paid for such services shall be reported by the Chair to the full Committee on Audit & Risk at its next meeting.)
- 3) Engage external auditors, outside attorneys, or other advisors, as necessary, to assist the Committee in special circumstances or investigations.
- 4) Meet with University officers, internal auditor, external auditor(s), General Counsel or other legal counsel to exercise its responsibilities.
- 5) Seek information from employees, all of whom are directed to cooperate with the Committee's requests, as well as external parties, to carry out its responsibilities.

C. The Committee's responsibility to make recommendations to the Board includes the following matters:

- 1) Recommended award of contracts with the external auditor for the annual audit of the University.
- 2) Review of the performance of external auditors, outside attorneys, or other advisors, their continued appointment or discharge.
- 3) Approve and recommend annual applications, renewals, and other filings required by the Pennsylvania Liquor Control Board.

D. It is not the duty of the Committee or its members, individually or collectively, to ensure adherence to laws, regulations and policies; to represent the University in legal matters; to provide legal advice; to perform the legal or compliance functions of the University; to conduct normal course legal or other investigations; to initiate or defend litigation; or otherwise to undertake the roles, responsibilities or functions of University leaders who have responsibilities for the management of the University. This section does not prevent the Committee from engaging external auditors, outside attorneys, or other advisors, as

necessary, to assist the Committee in special circumstances or investigations as anticipated in section B3 above.

- E. The Committee shall develop and adopt at its first meeting a Workplan for the year.

#### **4. Special Committee Resources**

- A. The Committee on Audit & Risk shall refer to the Internal Audit Charter as appropriate.
- B. The Committee has set forth a Roles and Responsibility Matrix which guides required reporting by University administration and certain actions of the Committee.

#### **5. The Subcommittee on Risk**

- A. The Audit & Risk Committee has assigned the following tasks to its Risk Subcommittee:
  - 1) Receive and review reports from University management on those risks assigned to the Audit and Risk Committee.
  - 2) Other special projects as shall be assigned by the Chair of the Audit and Risk Committee.