

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

## **Purposes of the Audit, Risk and Compliance Committee**

The purposes of the Audit, Risk and Compliance Committee (the "Committee") are to provide advice and guidance to the Board of Regents regarding 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 (vi) the University's Risk Management process, including fraud risk management (vii) the code of conduct, (viii) the governance structure and, (ix) the internal control processes. 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. Management is also responsible for developing a fraud risk management program.

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 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.

The Vice President for Business and Finance (VPBF) is authorized to sign engagement letters with a cost of \$25,000 or less. Such engagement letters signed by the VPBF will be provided as a report item at the next Committee meeting.

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. 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.
5. 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.

6. 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.
7. Receive and act upon any report from the independent auditors regarding internal control deficiencies and any response from management thereto.
8. Approve any non-audit services by any independent auditors.

The Corporation for Public Broadcasting's interpretation of the Federal Communications Act requires the full Board of Regents to approve any engagement letters and any activity listed in #1 – 8 above related to the Corporation for Public Broadcasting.

#### Internal Audit and Advisory Services

The Director of Internal Audit and Advisory Services (CAE) shall report administratively to the President and functionally to the Audit, Risk and Compliance Committee of the Board of Regents. All Internal Audit and Advisory Services (IAAS) staff shall report to the CAE. The CAE is responsible for hiring, evaluating, promoting, and determining the salary of all IAAS staff. The CAE shall inform the Chair of the Committee of any position changes. 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.

9. Review and approve the University internal audit function, including the Internal Audit Charter and the proposed annual Audit Plan. The CAE shall develop an Annual Report, including an Audit Plan, for the University as a whole.
10. Annually the Audit Committee Chairperson shall review the performance and compensation of the CAE with the President.
11. Review the budget, any changes in plan, performance relative to the Audit Plan, or organizational structure, and qualifications of the University internal audit function, as needed. The Committee should also consider internal audit's conformance to professional standards.
12. Ensure that IAAS has an external quality assurance review every five years and review the results thereof.

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.

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

14. 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.
15. Meet separately and on a periodic basis with management, the CAE, and the independent auditors.
16. 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 function together with management's responses thereto, and monitor management's ongoing progress on their action plans.
17. Review management's analysis of significant financial reporting issues and practices prior to the issuance of the financial statements.
18. Consider the effectiveness of the University's internal control system, including information technology security and control.

### Compliance Oversight

19. 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 to include criminal conduct that could implicate the University, major compliance audits, and serious investigations or claims by the federal or state governments.
20. Obtain regular updates from management and the General Counsel regarding compliance matters.
21. Establish procedures for the receipt, retention, and treatment of complaints received by the University regarding fraud, accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by University employees of concerns regarding questionable accounting or auditing matter.

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

### Reporting and Recommendations

23. Review and reassess the adequacy of the Committee's charter, as necessary.
24. The CAE will collaborate with the Chairperson to establish a work plan to ensure that the responsibilities of the Committee are scheduled and will be carried out.
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 meetings of the Committee.

### **Quorum**

The quorum for the audit committee will be a majority (3) of the members (5).

## **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.

The Committee shall receive a copy of any reports issued for any consulting engagement relating to a business process at the next Committee meeting following the issuance of the report.

## **Performance Self-Evaluation**

26. The Committee may 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. Annually confirm to the Board 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 (including fraud), 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

Last revised February 9, 2024