

# UNT | SYSTEM™

## BOARD OF REGENTS AUDIT COMMITTEE CHARTER

### **Purpose**

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The Audit Committee (“Committee”) of the Board of Regents (“Board”) of the University of North Texas System (“System”) assists the Board in monitoring:

1. The quality and integrity of the System’s annual consolidated financial statements, including its financial accounting principles and policies and its systems of internal controls;
2. The performance of the System’s internal audit function; and the qualifications, independence and performance of the System’s Chief Audit Executive;
3. The performance of the external auditor, ensuring their independence, and approving any additional services performed by the external auditor thus avoiding a conflict of interest;
4. Compliance with legal and regulatory requirements;
5. The System's risk assessment and risk management process; and
6. Other responsibilities set forth in this charter or specifically assigned to the Committee.

The Committee’s principal responsibility is one of oversight. It is not responsible for the preparation of the financial statements or the auditing of the financial statements. Management has the responsibility for preparing the financial statements and implementing internal controls and the System’s Chief Audit Executive has the responsibility for furnishing independent analyses, appraisals and recommendations on the effectiveness of internal controls, policies and procedures, and the quality of performance.

### **Authority**

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The Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. In carrying out its duties and responsibilities, the Committee shall also have the authority to meet with and seek any information it requires from management, employees, Regents, or external parties and will have complete access to all books, records and facilities of the System, as necessary.

The System will provide appropriate funding, as determined by the Committee, to fund the internal audit activity, to compensate the External Auditor, to compensate any advisers that the Committee chooses to engage, and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **Membership and Meetings**

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The Committee is a standing committee of the Board and is composed of not fewer than four members of the Board. The Chairman of the Finance Committee shall serve as an ex officio member of the Committee.

Committee members will be appointed by the Chairman of the Board of Regents.

Committee members shall have a working familiarity with basic finance and accounting practices.

Committee will meet four times annually or more frequently as circumstances require. The Committee may meet in executive session with the External Auditor, Chief Audit Executive, and management as needed and as allowed by law.

The agenda for Committee meetings will be developed by the Committee Chairman in consultation with the Chancellor, Chief Financial Officer and the Chief Audit Executive.

## **Independence**

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Each member of the Committee shall be independent from the System and the System's institutions and shall act in a manner consistent with the laws and rules regarding ethics and standards of conduct.

## **Responsibilities**

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The responsibilities of the Audit Committee include:

### ***Oversight and Review of Financial Statements and Related Matters***

The Committee shall meet with management, the Chief Audit Executive and the External Auditor to review and discuss:

1. The annual audited consolidated financial statements and footnotes;
2. Significant financial reporting issues and judgments made by management in connection with the preparation of the System's financial statements;
3. The adequacy of internal controls;
4. The System's significant financial and accounting policies and practices, including any principles of accounting proposed by regulatory authorities and any significant issues or changes regarding the System's accounting principles and financial statement presentation. Review alternative treatments of financial information within U.S. generally accepted accounting principles;

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5. The results of the audit conducted by the External Auditor, which should include a review of any audit problems or difficulties encountered by the external auditor in the course of the audit work and management's response;
6. Any disagreements between management and the External Auditor.

## ***Oversight of the External Auditor and the Audit Process***

1. Annually retain, evaluate and, if appropriate, recommend termination of the System's External Auditor. The Committee shall be directly responsible for the appointment, compensation, oversight and evaluation of performance of the work of the External Auditor. The Committee shall approve in advance all audit engagement fees and the terms of all audit services to be provided by the External Auditor.
2. At least annually, obtain and review a report from the External Auditor describing any relationships between the External Auditor and the System and any other relationships that may adversely affect the External Auditor's independence, consider the independence of the External Auditor, and otherwise take appropriate action to satisfy itself of the independence of the External Auditor.
3. At least annually, review the External Auditor's proposed audit scope and approach.
4. At least annually, obtain and review a report by the External Auditor describing its own internal quality-control procedures; any material issues raised by its most recent quality-control review or peer review; and any inquiry or investigation by governmental or professional authorities respecting any of its audits within the past five years, together with any steps taken to deal with any such issues.

## ***Oversight of the Internal Audit Function***

1. Select, monitor, evaluate, compensate and, if necessary, replace the Chief Audit Executive.
2. Review and approve with the Chief Audit Executive the internal audit charter, scope, responsibilities, plans, budget, staffing and organizational structure.
3. Review internal audit reports and monitor the implementation of recommendations.

## ***Oversight of Compliance Matters***

1. Review, at least annually, the System's rules regarding ethics and standards of conduct and update as needed. Receive a report annually on System activities to assure compliance with the rules governing ethics and standards of conduct.

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2. Oversee the System's risk management process and annual risk assessment.
3. Review any legal and regulatory matters that may have a material impact on the financial statements, the System's compliance with policies and any material reports or inquiries received from government agencies.
4. Receive quarterly reports from Chief Compliance Officers on the implementation and effectiveness of the System's compliance programs.
5. Review annually Regents Rule 04.1200, *Compliance and Ethics Program*, and System Regulation 02.1000, *Compliance and Integrity Program*, for adequacy and effectiveness. Review all compliance reports made to the committee pursuant to rules, regulation, and policy.

## ***Oversight of Internal Controls and Risk***

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1. Periodically review the System's major financial and accounting risk exposures and related policies and practices to assess and control such exposures
2. Periodically review the adequacy and effectiveness of the System's internal controls and significant changes in internal controls.
3. Oversee the scope of the Chief Audit Executive's and External Auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management responses.
4. Review the formal risk assessment performed by the System, which ranks risks by probability of occurrence and impact of risks evaluated.

## ***Reporting and Duties***

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1. Report regularly to the Board about Committee activities, issues and related recommendations, including the quality or integrity of the System's financial statements, the performance and independence of the External Auditor, and the performance of the Internal Audit function and maintain minutes or other records of Committee meetings and activities.

## ***Other Responsibilities***

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1. Annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board.
2. Assess annually the Committee's performance of the duties specified in this Charter and report its findings to the Board.
3. Perform any other activities consistent with this charter, the Regents Rules, and governing laws that the Board or Committee determine are necessary or appropriate.

**Audit Committee Chair**

**Chief Audit Executive**

**Date:**

**Adopted: 02.20.15**

**Effective: 02.20.15**

**Revised: 05.18.18**