

**VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY  
COMPLIANCE, AUDIT, AND RISK COMMITTEE OF THE BOARD OF VISITORS**

**COMPLIANCE, AUDIT, AND RISK CHARTER**

**I. PURPOSE**

The primary purpose of the Compliance, Audit, and Risk (CAR) Committee is to assist the Board of Visitors in fulfilling its fiduciary responsibilities related to oversight of:

- The university's enterprise risk management program, as an essential part of a strong control environment, to ensure that risk appetite aligns with management's decisions and strategy;
- Adherence to this charter, including reviewing audits conducted by the Office of Audit, Risk, and Compliance and external bodies and providing guidance on auditing concerns to the full Board;
- The institutional compliance processes that monitor compliance with all federal, state, and local laws and executive orders and policies promulgated by academic and athletic accrediting bodies, regulatory agencies, funding agencies, and the State Council of Higher Education for Virginia;
- The maintenance of effective systems of internal control, including the integrity of the university's financial accounting and reporting practices; and
- The performance of the university's internal and independent audit functions.

The function of the Committee is oversight. University management is responsible for (i) preparation, presentation, and integrity of the university's financial statements, (ii) maintenance and implementation of effective policies, procedures, and controls designed to assure compliance with generally accepted accounting principles and applicable laws and regulations; and (iii) identification, assessment, monitoring, and management of significant enterprise-level risks to the university. The Office of Audit, Risk, and Compliance examines and evaluates the adequacy and effectiveness of the university's internal control systems. The university's external auditor, the state Auditor of Public Accounts, is responsible for planning and conducting the financial statement examination in accordance with generally accepted government auditing standards.

This document and the related meeting planner are intended to identify and document the Committee's oversight responsibilities in order that such sound practices will continue despite the turnover of Committee members. It also outlines the regularly scheduled review activities that will ensure that the university continues to have an independent and objective internal audit function and obtains the greatest possible benefit from its external audits.

**II. MEETINGS**

By statute, the Board of Visitors must meet once a year, but traditionally holds four meetings a year, which typically includes the CAR Committee. Additional meetings may occur more frequently as circumstances warrant. The Committee Chair should discuss the

agenda with the Executive Director of Audit, Risk, and Compliance prior to each Committee meeting to finalize the meeting agenda and review the items to be discussed.

### **III. RESPONSIBILITIES**

In performing its oversight responsibilities, the CAR Committee shall:

#### **A. General**

1. Adopt a formal written charter that specifies the Committee's responsibilities and practices. The charter should be reviewed annually and updated as necessary.
2. Approve the charter for the Office of Audit, Risk, and Compliance. The charter should be reviewed annually and updated as necessary.
3. Maintain minutes of meetings in accordance with standard board practices.
4. Authorize audits within the Committee's scope of responsibilities.
5. Report Committee actions to the Board of Visitors with such recommendations as the Committee may deem appropriate.
6. Meet in closed session, consistent with state law, (without members of senior management present, when appropriate) with the internal or external auditors to discuss matters that the Committee believe should be discussed privately. The Executive Director of Audit, Risk, and Compliance shall have a regularly scheduled opportunity to meet privately with the Committee at each of its committee meetings.

#### **B. Enterprise Risk Management and Internal Control**

1. Review the university's enterprise risk management (ERM) efforts including the program structure and the processes for assessing significant risk exposures and the steps management has taken to monitor and control such exposures, as well as the university's risk assessment and risk management policies.
2. Consider the effectiveness of the university's internal control systems, including those over information technology and financial reporting.
3. Understand the scope of internal and external audit reviews of internal control, and obtain reports on significant potential issues and recommendations, together with management's responses.
4. Review management's written responses to significant potential issues and recommendations of the auditors, including the timetable to correct the identified weaknesses in the internal control system.
5. Advise management that they are expected to provide a timely analysis of significant reporting issues and practices.

#### **C. External Auditors**

1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year.
2. As necessary, discuss with the external auditors their processes for identifying and responding to key audit and internal control risks.
3. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks.

4. Meet with external auditors at the completion of the financial statements audit to receive and discuss the audit report(s), and determine whether external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles.
5. Review the results and organizational response stemming from significant reviews by regulatory agencies or other external entities (non-financial statement audits).

**D. Internal Auditors**

1. Review and approve the annual audit plan and any significant changes to the plan.
2. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity and reporting relationships.
3. Review completed audit reports and progress reports on executing the approved annual audit plan.
4. Review the results of the Office of Audit, Risk, and Compliance's Quality Assurance and Improvement Program (QAIP), including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university.
5. Inquire of the Director of Internal Audit regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information.
6. Confer with management in the appointment, reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance and the Director of Internal Audit.

**E. Institutional Compliance, Ethics, and Business Conduct**

1. Support leadership by promoting and supporting a university-wide culture of ethical and lawful conduct.
2. Require management to periodically report on procedures that provide assurance that the university's mission, values, and codes of conduct are properly communicated to all employees.
3. Review the programs and policies of the university designed by management to assure compliance with applicable laws and regulations and monitor the results of the compliance efforts.
4. Monitor the university's conflict of interest policies and related procedures.

The "CAR Agenda Meeting Planner" is an integral part of this document. If the Board of Visitors meets less frequently than anticipated, the Planner will be adjusted accordingly.

**Virginia Polytechnic Institute and State University  
Compliance, Audit, and Risk Committee of the Board of Visitors  
CAR Agenda Meeting Planner**

A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
<b>A. General</b>							
1. Review and update CAR Committee charter	X				X		
2. Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed	X				X		
3. Approve and maintain minutes of meetings in accordance with standard board practices		X		X	X	X	X
4. Authorize audits within the Committee's scope of responsibilities			X				
5. Report Committee actions to the Board of Visitors with recommendations deemed appropriate		X		X	X	X	X
6. Meet in closed session with Executive Director of Audit, Risk, and Compliance, and with internal or external auditors, as needed		X		X	X	X	X
<b>B. Enterprise Risk Management and Internal Control</b>							
1. Review the university's ERM efforts including the program structure, processes, risk assessment, and risk management policies		X		X	X	X	X
2. Consider the effectiveness of the university's internal control systems			X				
3. Understand the scope of internal and external audit reviews of internal control, and obtain reports on significant potential issues and recommendations, together with management's responses		X		X	X	X	X
4. Review management's written responses to significant potential issues and recommendations of the auditors, including the timetable to correct identified weaknesses in the internal control system		X		X	X	X	X
5. Advise management that they are expected to provide a timely analysis of significant current reporting issues and practices	X				X		
<b>C. External Auditors</b>							
1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year	X						X
2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks			X		X		
3. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks			X				

A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
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4. Meet with external auditors at the completion of the financial statements audit to receive and discuss the audit report(s)	X				X		
5. Review results of other significant reviews from regulatory agencies or other external entities			X				
<b>D. Internal Auditors</b>							
1. Approve the annual audit plan	X						X
2. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships	X			X			
3. Review the results of the QAIP, including internal and external assessments			X				
4. Review completed audit reports and progress reports on executing the approved annual audit plan		X		X	X	X	X
5. Inquire of the Director of Internal Audit regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information	X					X	
6. Confer with management in the appointment, reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance and the Director of Internal Audit			X				
<b>E. Compliance, Ethics, and Business Conduct</b>							
1. Convey commitment to ethical conduct through periodic receipt of management reports on how the university's mission, values, and codes of conduct are properly communicated to all employees			X				
2. Review the programs and policies of the university designed to assure and monitor compliance		X		X	X	X	X
3. Monitor the university's conflict of interest policies and related procedures		X		X	X	X	X

# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY COMPLIANCE, AUDIT, AND RISK COMMITTEE OF THE BOARD OF VISITORS

## COMPLIANCE, AUDIT, AND RISK CHARTER

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- The maintenance of effective systems of internal control, including the integrity of the university's financial accounting and reporting practices; and
- The performance of the university's internal and independent audit functions.

The function of the Committee is oversight. University management is responsible for ~~the~~ (i) preparation, presentation, and integrity of the university's financial statements, fiscal plans, and other financial reporting. University management is also responsible for (ii) maintenance and implementation of effective ~~maintaining appropriate financial accounting and reporting~~ policies, procedures, and controls designed to assure compliance with generally accepted accounting principles and applicable laws and regulations; and (iii) identification, assessment, monitoring, and management of significant enterprise-level risks to the university. The Office of Audit, Risk, and Compliance examines and evaluates the adequacy and effectiveness of the university's internal control systems. The university's external auditor, the state Auditor of Public Accounts, is responsible for planning and conducting the financial statement examination in accordance with generally accepted government auditing standards.

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### II. MEETINGS

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Additional meetings may occur more frequently as circumstances warrant. The Committee Chair should discuss the agenda with the Executive Director of Audit, Risk, and Compliance prior to each Committee meeting to finalize the meeting agenda and review the items to be discussed.

### III. RESPONSIBILITIES

In performing its ~~audit~~ oversight responsibilities, the CAR Committee shall:

#### A. General

1. Adopt a formal written charter that specifies the Committee's responsibilities and practices. The charter should be reviewed annually and updated as necessary.
- ~~2.~~ Approve the charter for the Office of Audit, Risk, and Compliance. The charter should be reviewed annually and updated as necessary.
- ~~2.3.~~ Maintain minutes of meetings in accordance with standard board practices.
- ~~3.4.~~ Authorize audits within the Committee's scope of responsibilities.
- ~~4.5.~~ Report Committee actions to the Board of Visitors with such recommendations as the Committee may deem appropriate.
- ~~6.~~ Meet in closed session, consistent with state law, (without members of senior management present, when appropriate) with the internal or external auditors ~~and/or the Executive Director of Audit, Risk, and Compliance~~ to discuss matters that the Committee ~~or the auditors~~ believe should be discussed privately. The Executive Director of Audit, Risk, and Compliance shall have a regularly scheduled opportunity to meet privately with the Committee at each of its ~~four~~ annual committee meetings.
- ~~5.~~

#### B. Enterprise Risk Management and Internal Control

1. Review the university's enterprise risk management (ERM) efforts including the program structure and the processes for assessing significant risk exposures and the steps management has taken to monitor and control such exposures, as well as the university's risk assessment and risk management policies.
2. Consider the effectiveness of the university's internal control systems, including those over information technology and financial reporting.
3. Understand the scope of internal and external audit reviews of internal control, and obtain reports on significant potential issues and recommendations, together with management's responses.
4. Review management's written responses to significant potential issues and recommendations of the auditors, including the timetable to correct the identified weaknesses in the internal control system.
5. Advise management that they are expected to provide a timely analysis of significant reporting issues and practices.

#### C. External Auditors

1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year.

2. As necessary, discuss with the external auditors their processes for identifying and responding to key audit and internal control risks.
3. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks.
4. Meet with external auditors at the completion of the financial statements audit to receive and discuss the audit report(s), and determine whether external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles.
5. Review the results and organizational response stemming from significant reviews by regulatory agencies or other external entities (non-financial statement audits).

#### **D. Internal Auditors**

~~1. Approve the charter for the Office of Audit, Risk, and Compliance. The charter should be reviewed annually and updated as necessary.~~

~~2.1.~~ Review and approve the annual audit plan and any significant changes to the plan.

~~3.2.~~ Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity and reporting relationships.

~~4.3.~~ Review completed audit reports and progress reports on executing the approved annual audit plan.

~~5.4.~~ Review the results of the Office of Audit, Risk, and Compliance's Quality Assurance and Improvement Program (QAIP), including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university.

~~6.5.~~ Inquire of the ~~Executive Director of Audit, Risk, and Compliance~~ Director of Internal Audit regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information. Confer with management in the ~~Review and concur in the~~ appointment, ~~replacement,~~ reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance and the Director of Internal Audit.

~~7. Evaluate the Executive Director of Audit, Risk, and Compliance's annual performance and make decisions regarding compensation.~~

~~6.~~

#### **E. Institutional Compliance, Ethics, and Business Conduct**

1. Support leadership by promoting and supporting a university-wide culture of ethical and lawful conduct.
2. Require management to periodically report on procedures that provide assurance that the university's mission, values, and codes of conduct are properly communicated to all employees.



3. Review the programs and policies of the university designed by management to assure compliance with applicable laws and regulations and monitor the results of the compliance efforts.
4. Monitor the university's conflict of interest policies and related procedures.

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A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
<b>A. General</b>							
1. Review and update CAR Committee charter	X				X		
2. <u>Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed</u>	<u>X</u>				<u>X</u>		
<del>2.3.</del> <u>Approve and maintain minutes of <del>previous</del> meetings in accordance with standard board practices</u>		X		X	X	X	X
<del>3.4.</del> Authorize audits within the Committee's scope of responsibilities			X				
<del>4.5.</del> Report Committee actions to the Board of Visitors with recommendations deemed appropriate		X		<u>X</u>	X	X	X
<del>5.6.</del> Meet in closed session with Executive Director of Audit, Risk, and Compliance, and with <u>internal or external auditors, as needed</u>		X		X	X	X	X
<b>B. <u>Enterprise Risk Management and Internal Control</u></b>							
1. Review the university's ERM efforts including the program structure, processes, risk assessment, and risk management policies		X		<u>X</u>	X	X	X
2. Consider the effectiveness of the university's internal control systems			X				
3. Understand the scope of internal and external audit reviews of internal control, and obtain reports on significant potential issues and recommendations, together with management's responses		X		<u>X</u>	X	X	X
4. Review management's written responses to significant potential issues and recommendations of the auditors, including the timetable to correct identified weaknesses in the internal control system		X		<u>X</u>	X	X	X
5. Advise management that they are expected to provide a timely analysis of significant current reporting issues and practices	X				X		
<b>C. External Auditors</b>							

A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year	X						X
2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks			X		X		
3. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks			X				
4. Meet with external auditors at the completion of the financial statements audit to receive and discuss the audit report(s)	X				X		
5. Review results of other significant reviews from regulatory agencies or other external entities			X				
<b>D. Internal Auditors</b>							
<del>6.1. Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed</del>	<del>X</del>				<del>X</del>		
1. Approve the annual audit plan	X						X
2. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships	X			X	X		
3. Review the results of the QAIP, including internal and external assessments			X				
4. Review completed audit reports and progress reports on executing the approved annual audit plan		X		X	X	X	X
5. Inquire of the <del>Executive</del> Director of <u>Internal Audit, Risk, and Compliance</u> regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information	X	X		X	X	X	X
6. <del>Review and concur</del> <u>Confer with management</u> in the appointment, <del>replacement</del> , reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance <u>and the Director of Internal Audit</u>			X				
<del>7. Evaluate the Executive Director of Audit, Risk, and Compliance's annual performance and make decisions regarding compensation</del>	<del>X</del>						<del>X</del>
<b>E. Compliance, Ethics, and Business Conduct</b>							
1. Convey commitment to ethical conduct through periodic receipt of management reports on how the university's mission, values, and codes of conduct are properly communicated to all employees			X				
2. Review the programs and policies of the university designed to assure and monitor compliance		X		X	X	X	X
3. Monitor the university's conflict of interest policies and related procedures		X		X	X	X	X