

**ARIZONA BOARD OF REGENTS
POLICY MANUAL**

3-104 Audit and Risk Management Committee

Revision Dates

6/15/2023 (effective 7/1/2023), 2/11/2022, 9/27/2018, 11/20/2015 (adopted)

- A. The Arizona Board of Regents Audit and Risk Management Committee assists the board in its oversight of financial reporting, internal controls and compliance, risk assessments, and internal and external audits. In discharging this responsibility, the committee will:
1. Establish the powers and duties of the universities' internal audit review boards through approved charters and periodically review, revise and re-approve those charters;
 2. Request information as necessary to fulfill its oversight responsibilities;
 3. Recommend that the board or universities retain independent counsel, accountants or consultants as necessary to assist in fulfilling the committee's oversight responsibilities;
 4. Review the use of outside accountants, consultants or others retained by the board or universities to assist in conducting audits, reviews or special investigations; and
 5. Assign tasks to subcommittees, as needed.
- B. The committee relies on the expertise and knowledge of university and board management, the internal auditors and consultants, and the auditor general in carrying out its oversight responsibilities. The committee has the authority outlined below and may make recommendations to the full board regarding any of these areas if additional action is deemed necessary.
1. Financial Statements. The committee will:
 - a. Review financial statements, and the committee may request information regarding any underlying estimates, assumptions and analysis, significant accounting and reporting issues, complex or unusual transactions and highly judgmental areas, and related professional and regulatory initiatives;
 - b. Review audits and corrective actions; and
 - c. Review annual audited financial statements, including audited

financial statements from component unit affiliates as described in the guidelines governing the relationships between component unit affiliates and universities under the jurisdiction of the Arizona Board of Regents.

2. Risk. The committee will:
 - a. Review board and university policies with respect to risk assessment and risk management;
 - b. Have the Chief Risk Officer, or equivalent position, of each university present annually to the committee. The presentation shall include:
 - i. A description of the processes used by the university to organize and manage enterprise risk, assign responsibility for risk areas, monitor and mitigate or remedy risk areas;
 - ii. Areas of risk that have been identified for the past year and current year; and
 - iii. University leadership involvement and actions related to risk areas.
3. Internal Controls. The committee will:
 - a. Review the effectiveness of the internal control environments for the board and the universities;
 - b. Review internal controls over financial reporting and receive reports on significant findings, recommendations, and management responses.
4. Internal Audit. The committee will:
 - a. Review the appointment, replacement or dismissal of chief audit executives;
 - b. Review the functional and administrative reporting relationships of the audit offices to protect independence;
 - c. Review with the chief audit executives and chairs of the internal audit review boards the audit offices' charters, plans, activities, staffing and organizational structure of the internal audit functions;

- d. Review and approve the internal audit offices' annual reports on internal audit and annual audit plans as supported by the independent risk assessment processes and discuss overall results with the chief audit executives and the internal audit review boards' chairs;
 - e. Receive from the audit offices final internal audit reports and periodic progress reports on the approved audit plans;
 - f. Discuss with the internal audit review board chairs, presidents and executive director of the board any limitations on auditor's objectivity and independence, any difficulties encountered or scope restrictions, and facilitate unrestricted access to information within the scope of audits and auditors' duties;
 - g. Review the effectiveness of the internal audit function, including compliance with the international standards for the professional practice of internal auditing and the code of ethics of the institute of internal auditors;
 - h. Provide feedback to the internal audit review board chairs, presidents and executive director of the board on the quality and adequacy of audit coverage provided;
 - i. Review disagreements between internal auditors and management regarding audit findings and recommendations; and
 - j. Meet in executive session with each chief audit executive at least annually to discuss issues related to the audit function. Either the committee or the chief audit executive may request additional meetings. The committee may also meet with others in executive session as necessary to fulfill its responsibility.
5. External Audit. The committee will:
- a. Review the auditor general's proposed audit scope and approach, including appropriate coordination of the audit effort with internal audit;
 - b. Receive from the universities copies of reports from financial and compliance audits and reviews performed by external firms or regulators; and
 - c. Review disagreements regarding audit findings and

recommendations between the auditor general or any external auditor and university or board management.

6. Compliance. The committee will:
 - a. Review the effectiveness of systems for monitoring compliance with laws, policies, and regulations; and
 - b. Encourage continuous improvement of and adherence to universities' audit policies, procedures, and practices.

7. Communications and Reporting.
 - a. The presidents and executive director of the board must provide prompt notice to the board chair, the Audit and Risk Management Committee chair and the board executive director of any:
 - (1) Irregularities with significant financial impact, and
 - (2) Significant issues raised by internal auditors, state or federal auditors, or any other audit agency or authority.

 - b. The audit plans set forth the approved projects for the university and board auditors. Any member of the board or the Audit and Risk Management Committee seeking additional information, review or investigation on any issue outside of the scope of an approved audit plan should direct that request through the Audit and Risk Management Committee for review. If time does not permit prior committee review, the request should be sent to the Audit and Risk Management Committee chair and board executive director, who will determine appropriate next steps.

 - c. The committee will report to the board about committee activities and issues that arise with respect to:
 - (1) Quality or integrity of the universities' financial statements;
 - (2) The universities' compliance with legal or regulatory requirements;
 - (3) The relationship with the auditor general; and
 - (4) The performance of internal and external auditors.

Policy History

- 11/20/2015 Approved by the Board on second reading.
- 9/27/2018 Policy revised to reflect “Executive Director” of the Board in place of “President.”
- 2/11/2022 Policy revision approved by the Board on second reading.
- 6/15/2023 Policy revision approved by the Board on second reading to be effective
7/1/2023.

Related Information