

University-Wide Risk Assessment Process

UNC has engaged Eide Bailly, an independent third party to perform a university-wide Risk Assessment. This is an internal audit to identify and evaluate potential risks and threats to University operations, financial performance, reputation, and compliance with laws and regulations. The process involves the following steps:

- a. Understand UNC's Strategic Goals – The first step to completing a Risk Assessment is to understand UNC's strategic goals. Since risk is defined as any issue (positive or negative) that may impact the University's ability to achieve its strategic goals, identifying the University's key goals is a prerequisite to identifying risk.
- b. Understand University-wide Control Environment – The control environment is the foundation of an effective system of internal control. The control environment provides discipline and structure to achieve a system of internal controls. The control environment usually includes the following elements, 1) integrity and ethical values, 2) management philosophy and operating style, 3) organizational structure, 4) policies and practices and 5) interviewing senior leadership/management, reviewing Boards and Council reports and actions, and analyzing reported complaints. The purpose of this step is to assess among other things, the University's Control Environment and the risk appetite. The Control Environment, often referred to as "Tone at the Top", is considered the foundation for all other components of internal control.
- c. Utilize Knowledge of Industry and Business – The purpose of this step is to gain an understanding of emerging risks and issues related to the University's strategic goals and operations. This step involves identifying issues affecting similar universities, analyzing recent fraud occurrences, discussions with other higher education auditors and reviewing white papers on emerging issues.
- d. Identify Key University Business Processes and their Impact on Auditable Areas – A key University-wide business process, in the context of the Risk Assessment, is a set of activities designed to provide critical support to auditable areas. Many business processes involve actions performed by multiple areas in order to achieve a common goal.

Why a Risk Assessment is needed

Institute of Internal Auditors (IIA) International Professional Practices Framework (Standards) requires that "The Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals." This risk assessment forms the basis for the audit plan, and it serves as a tool to focus limited internal audit resources.

Your role in the Risk Assessment Process

Respond to the Management Questionnaire provided by Eide Bailly and participate in interviews upon request. The risk assessment process is a highly collaborative process that is being facilitated by Eide Bailly with the assistance and input of UNC leadership. Heavy reliance is placed on the department/program leaders to provide input into the risks that are present in their respective areas. To capture the information needed to produce the risk assessment, a questionnaire is sent to relevant department/program leadership. The questionnaire features open-ended and close ended questions designed to gather information about specific risk categories. The purpose of the interviews is to meet with each director to review their responses, get a better understanding of the risks involved in each area, determine if there are additional risks not captured on the questionnaire, and identify potential vulnerabilities and risk factors, including the risk of fraud, that could impede the achievement of a department/program's mission, goals, and objectives.

The desired outcome of the Risk Assessment Process

The results of the University-wide risk assessment are used to develop a proposed internal audit work plan to address areas of critical importance to the University. The Internal Audit Plan will focus on strengthening internal controls to mitigate the identified risks, to implement best practices, and improve operational efficiency and effectiveness. It is important to note that a department's inclusion in the Internal Audit Plan does not necessarily mean that there is a current or specific concern associated with an area, but rather that the area may have a higher vulnerability to risk exposure at this time. Additionally, a high-risk score does not mean that a department or operation is ineffectively managed, that sufficient controls are not in place, or that the function is not performing properly. A high-risk score simply means that a negative event in that area would be particularly damaging or more likely to occur in the absence of effective controls.