

INTERNAL AUDIT CHARTER

Action Requested: Approve the Internal Audit Charter.

Executive Summary: On an annual basis, the Internal Audit Charter should be reviewed and approved.

Background: Policy Manual §2.2(9) establishes an internal audit function for the Board of Regents. Internal audit, as defined by the Institute of Internal Auditors, is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations.

The Internal Audit Charter constitutes the framework for the internal audit function and defines its mandate, authority, duties, reporting obligations and resources. Adoption of this Internal Audit Charter will strengthen the oversight function within the Board of Regents and align it with the best business practices.



INTERNAL AUDIT CHARTER

MISSION AND SCOPE OF WORK

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of Internal Audit is to determine whether the organization's risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Operations are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

INDEPENDENCE

The Chief Audit Executive is appointed by the Board of Regents (BOR) and reports to the Executive Director of the BOR Office. University Internal Audit personnel report directly to the Chief Audit Executive and indirectly to the university President. Audit activities and reports are communicated to the university President and the BOR. This reporting relationship promotes independence and provides adequate consideration of audit issues, recommendations, and management action plans.

The Chief Audit Executive and staff should have an impartial, unbiased attitude and avoid conflicts of interest, as well as be independent in fact and appearance.

ACCOUNTABILITY

The Chief Audit Executive shall be accountable to university management and the BOR to:

- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution; and
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of Internal Audit resources.

RESPONSIBILITY

The Chief Audit Executive and staff of Internal Audit have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the BOR for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the BOR.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Establish a quality assurance program by which the Chief Audit Executive assures the operation of internal auditing activities.
- Evaluate and assess new or changing services, processes, operations, and controls concurrent with their development, implementation, and/or expansion.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Issue periodic reports to the BOR and management summarizing results of audit activities.
- Inform the BOR of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the BOR.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the BOR of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization.

AUTHORITY

The Chief Audit Executive and staff of Internal Audit are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the BOR.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Chief Audit Executive and staff of Internal Audit are not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve financial transactions external to Internal Audit.
- Direct the activities of any organization employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

LIMITATION OF AUTHORITY AND RESPONSIBILITY

In performing their functions, the Chief Audit Executive and staff have no direct authority over, or responsibility for, any of the activities reviewed. Internal auditors will not develop and implement procedures, prepare records, make management decisions, or engage in any other activity which could be reasonably construed to compromise their independence. Therefore, review and appraisal by Internal Audit do not in any way substitute for or relieve other persons in the Regent institutions of the responsibilities assigned to them.

STANDARDS OF AUDIT PRACTICE

Audit activities will be performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of The Institute of Internal Auditors.

Last approved by the Board: September 6, 2017