

University of Louisiana System

**Title: INTERNAL AUDIT CHARTER
/AUDIT COMMITTEE
CHARTER
(Policy Revision)**

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Chapter: Finance and Business

Policy and Procedures Memorandum

INTERNAL AUDIT CHARTER

Introduction

The Internal Audit Charter sets forth the purpose, mission, objectives, authority, and responsibility of the internal audit activity for the University of Louisiana System (System). The charter establishes the internal audit activity's position within the System and the Universities within the System; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The University of Louisiana System supports a Chief Audit Executive and Chief Compliance Officer as a staff function and as a coordinator of a System-wide, independent appraisal function to examine and evaluate the business and administrative activities of the System's universities. The System supports this staff function as a service to System executive management and the Board of Supervisors Audit Committee (Audit Committee). In carrying out his/her duties and responsibilities, the Chief Audit Executive and Chief Compliance Officer will have full, free, and unrestricted access to all activities, records, property, and personnel within the entire System. The Chief Audit Executive and Chief Compliance Officer shall report to the Board of Supervisors through the Audit Committee directly and to the System President. The System President and the Chair of the Audit Committee have joint responsibility for the hiring, performance evaluation, and compensation of the Chief Audit Executive and Chief Compliance Officer.

The internal auditing function consists of the Campus Offices of Internal Audit, whose Directors report to their respective Presidents and to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer. The Chief Audit Executive and Chief Compliance Officer will prepare, for approval by the System President, a consolidated System-wide audit plan. Such plan will incorporate each campus' proposed audit plan,

each of which shall include input from the President and CFOs as to areas of audit concern and areas subject to increased risk. The proposed individual plans will identify the audits to be conducted at each campus during the year. The System-wide audit plan will identify areas of audit concern on a campus-by-campus basis, as well as a System-wide approach. The final plan shall be reviewed and, if necessary, revised by the Audit Committee and then approved by the entire Board of Supervisors at an open meeting.

Purpose and Mission

The purpose of the internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the System and the Universities within the System. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps the System and the Universities within the System accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the System and the Universities within the System.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the *Mandatory Guidance* of the Institute of Internal Auditors' International Professional Practices Framework, including the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. The Chief Audit Executive and Chief Compliance Officer will report periodically to the System President and the Audit Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards. Also, the Campus Directors will report periodically to their University Presidents and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee regarding the Campus internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The System or University's internal audit activity is established by the Audit Committee. The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role. To establish, maintain, and assure that the internal audit activities of the System and the Universities within the System have sufficient authority to fulfill their duties, the Audit Committee will:

- exercises oversight of all internal audit functions to ensure audit coverage adequately encompasses all aspects of System operations.
- reviews and approves the annual risk-based internal audit plan and receives interim progress reports at least quarterly.
- reviews and approves the internal audit budget and resource plan, and any significant changes to the resource plan, to achieve the internal audit plan.
- consults with the System President concerning the annual evaluation, compensation, promotion, or dismissal of the Chief Audit Executive and Chief Compliance Officer.

- receives periodic reports on internal audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

Internal Audit will have unrestricted access to and communicate and interact directly with the Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors, including in private meetings without management present.

The Audit Committee authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Audit or review any function, activity, or unit of the System or Universities within the System and the accounts of all organizations required to submit financial statements to the Universities.
- Have direct and unrestricted access and present to the System President or University President any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.
- 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 of the System or University where they perform audits, as well as other specialized services from within or outside the System or University, in order to complete the engagement.

Independence and Objectivity

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive and Chief Compliance Officer or Campus Directors determine that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.

- Performing any operational duties for the System, the Universities within the System or affiliated organizations.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any System or University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, campus internal audit personnel will report to the Campus Directors of Internal Audit, who reports functionally to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer and administratively to the President of their University.

Where the Chief Audit Executive and Chief Compliance Officer or Campus Director has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

At least annually, the Chief Audit Executive and Chief Compliance Officer will confirm to the System President and the Audit Committee the organizational independence of the internal audit activity. Also, the Campus Directors will confirm to the University Presidents and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee, the organizational independence of the internal audit activity. The Chief Audit Executive and Chief Compliance Officer and Campus Directors will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes of the System and the Universities within the System. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the strategic objectives of the System and the Universities within the System are appropriately identified and managed.
- The actions of the officers, directors, employees, and contractors of the System and the Universities within the System are in compliance with applicable policies, procedures, laws, regulations, and governance standards.

- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the System or the Universities within the System.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors will report periodically to senior management and the Audit Committee regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors also coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Chief Audit Executive and Chief Compliance Officer or Campus Director has the responsibility to:

- Annually develop and submit to senior management and the Audit Committee, a risk-based internal audit plan for review and approval. The flexible annual audit plan (summary of the audit work schedule, staffing plan, and time budget) will be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.

- Review and adjust the annual internal audit plan, as necessary, in response to changes in the business, risks, operations, programs, systems, and controls of the System and the Universities within the System.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that Internal Audit staff collectively possess or obtain the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Establish a Quality Assurance and Improvement Program by which the Chief Audit Executive and Chief Compliance Officer and the Campus Directors assure the operations of the internal auditing activities are acceptable.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.
- Ensure trends and emerging issues that could impact the System or the Universities within the System are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Assist in the investigation of significant suspected fraudulent activities within the System or the Universities within the System and notify management and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to relevant policies and procedures of the System and the Universities within the System, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Submit written and timely reports to appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement.
- Ensure that Campus Directors forward a copy of each internal audit report and a summary to the Chief Audit Executive and Chief Compliance Officer.

- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive and Chief Compliance Officer or Campus Director will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies (e.g., AICPA, GAO, etc.) the Chief Audit Executive and Chief Compliance Officer or Campus Director will ensure that the internal audit department conforms with the Standards, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The internal audit activity will maintain a Quality Assurance and Improvement Program (program) that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The program will include both internal and external assessments. The internal assessments will include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. The IIA Standards provide that external assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive and Chief Compliance Officer or Campus Director will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (ongoing monitoring and periodic internal assessments) and external assessments.

Meetings

Prior to each Audit Committee meeting, the Chief Audit Executive and Chief Compliance Officer will provide the Audit Committee members with information relating to the status of audit activities. Such information should include, but not be limited to, audit reports, audit follow-up and the implementation of recommendations, management services, external audits, and other relevant information. In addition, annual audit plans, staffing plans, financial and budget reports, and other appropriate information will be provided and reviewed as necessary.

AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee is to provide oversight to protect and strengthen the University of Louisiana System's (System) audit processes, compliance with laws and regulations, internal controls, enterprise risk management, and ethics.

Chief Audit Executive and Chief Compliance Officer

The Chief Audit Executive and Chief Compliance Officer shall report to the Board of Supervisors through the Audit Committee directly and to the System President. The System

President and the Chair of the Audit Committee have joint responsibility for the hiring, performance evaluation, and compensation of the Chief Audit Executive and Chief Compliance Officer.

Legislative Audit

The Committee:

- reviews and accepts the System's annual financial statement and the audit opinion prepared by the legislative auditor.
- meets with the legislative auditor and confirms with management and the legislative auditor that the System's annual financial statements present fairly, in all material respects, the financial position, the respective changes in its financial position and its cash flows in accordance with generally accepted accounting standards.
- follows through by receipt, discussion, and action, the timeliness of corrective actions taken in response to audit recommendations, reviews, accepts, and follows through on all other significant legislative audit activities and responses.

Internal Audit

The Committee:

- exercises oversight of all internal audit functions to ensure audit coverage adequately encompasses all aspects of System operations. reviews and approves the annual risk-based internal audit plan and receives interim progress reports at least quarterly.
- reviews and approves the internal audit budget and resource plan, and any significant changes to the resource plan, to achieve the internal audit plan.
- consults with the System President concerning the annual evaluation, compensation, promotion, or dismissal of the Chief Audit Executive and Chief Compliance Officer.
- receives periodic reports on internal audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

Compliance with Laws and Regulations

The Committee:

- fulfills the Board of Supervisors' fiduciary responsibilities by seeking reasonable assurance that the System follows applicable laws, regulatory requirements, and policies.
- reviews the activities and efficacy of existing compliance coordinating activities to ensure effective coordination and audit coverage.
- reviews and approves the annual compliance plan and receives interim progress reports at least quarterly.

Internal Controls and Enterprise Risk Management

The Committee:

- reviews and analyzes reports on the adequacy of the system of internal controls, including the recording and processing of financial information and the approval of transactions.
- reviews reports on the adequacy of information technology security and controls.
- promotes an enterprise-wide approach to assessing risks at each UL System member institution and reviews such assessments regularly.
- receives a report from the System's leadership on the System's enterprise and risks management thereof.
- inquires about significant financial risks or exposures in the System's functional areas and assesses the steps management has taken to mitigate such risks.

Ethics and Conflicts of Interest

The Committee:

- oversees the process for relaying and addressing concerns regarding questionable accounting, auditing, or business practices; conflicts of interest; and potential fraud.
- reviews institutional codes of conduct and oversees the systems for ensuring adherence to them.
- oversees processes for ensuring compliance with ethics-related laws, regulations, and policies.

Review Process:

System Administration Staff

Policy References:

Association of College & University Auditors
Institute of Internal Auditors

Distribution:

University Presidents
Campus Internal Audit Directors