

University of Louisville
Audit Services
Internal Audit Activity Charter

Purpose and Mission

Audit Services provides independent, objective assurance, and consulting services designed to add value and improve the University's operations. The mission of Audit Services is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity assists the University of Louisville in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

Audit Services is governed by and will meet or exceed the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing.

Authority

Audit Services under the direction of the Vice President for Enterprise Risk Management, Audit, and Compliance and Chief Audit Executive reports functionally to the Audit, Compliance, and Risk Committee of the Board of Trustees and administratively to the president. These reporting relationships assure departmental independence, promote comprehensive audit coverage, and assure appropriate consideration of audit recommendations. The Audit, Compliance, and Risk Committee approves all decisions regarding the appointment or removal of the chief audit executive. The responsibilities of Audit Services are defined by the Audit, Compliance, and Risk Committee of the Board of Trustees as part of their oversight role.

The chief audit executive will have unrestricted access to, and communicate and interact directly with, the Audit, Compliance, and Risk Committee, including in private meetings without management or the public present as appropriate and to the extent allowed by law. Audit Services is authorized to review all records of the university and related organizations and has full and complete access to all activities, records, property, and personnel reasonably necessary to perform the responsibilities of this function.

Independence and Objectivity

The chief audit executive will ensure that Audit Services 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 determines that independence or objectivity may be impaired in fact or

appearance, the details of impairment will be disclosed to the president and chair of the Audit, Compliance, and Risk Committee as appropriate.

Internal auditors will maintain an unbiased mental attitude, void of conflicts of interest, 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 judgement on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they 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 University of Louisville or its affiliates.
- Initiating or approving transactions external to the Office of the Vice President for Enterprise Risk Management, Audit, and Compliance departmental functions.
- Directing the activities of any individual not employed by the Office of the Vice President for Enterprise Risk Management, Audit, and Compliance, except to the extent that such employees have been appropriately assigned to audit teams or otherwise assist with engagements or activities.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance.
- 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.

The chief audit executive will confirm to the Audit, Compliance, and Risk committee, at least annually, the organizational independence of Audit Services. The chief audit executive will disclose to the Audit, Compliance, and Risk committee any interference and related implications in determining the scope of internal auditing, performing work, 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 president, Audit, Compliance, and Risk committee, administration, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University of Louisville and its statutory affiliates. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the University of Louisville's strategic objectives are appropriately identified and managed.
- Actions taken comply with the University of Louisville's policies, procedures, and applicable 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 University of Louisville.
- 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 will report periodically to executive administration and the Audit, Compliance, and Risk committee regarding:

- Audit Services' purpose, authority, and responsibility.
- Audit Services' plan and performance relative to its plan.
- Audit Services' 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 Audit, Compliance, and Risk committee or administration.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by administration that may be unacceptable to the University of Louisville.

The chief audit executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. Audit Services may perform advisory and related client service activities, the nature and scope of which will be agreed with by the client, provided Audit Services 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 administration.

Responsibility

The chief audit executive has the responsibility to:

- Submit, at least annually, to administration and the Audit, Compliance, and Risk committee a risk-based internal audit plan for review and approval.

- Communicate to administration and the Audit, Compliance, and Risk committee the impact of resource limitation on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University of Louisville's risks, operations, programs, systems, and controls.
- Communicate to administration and the Audit, Compliance, and Risk 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 administration and the Audit, Compliance, and Risk Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competence are applied and upheld.
- Ensure Audit Services collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the charter.
- Ensure trends and emerging issues that could impact the University of Louisville are considered and communicated to administration and the Audit, Compliance, and Risk committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide Audit Services.
- Ensure conformance of Audit Services with the *Standards*, with the exception that if Audit Services is prohibited by law or regulation from conformance with certain parts of the *Standards*, the chief audit executive will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.

Quality Assurance and Improvement Program

Audit Services will maintain a quality assurance and improvement program that covers all aspects of Audit Services activities. The program will include an evaluation of Audit Services 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 Audit Services and identify opportunities for improvement.

The chief audit executive will communicate to administration and the Audit, Compliance, and Risk committee on Audit Services' quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessment conducted at least once every five (5) years by a qualified, independent assessor or assessment team from outside the University of Louisville.